MASTER
NEGATIVE
NO. 94-82140-2

COPYRIGHT STATEMENT

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted materials including foreign works under certain conditions. In addition, the United States extends protection to foreign works by means of various international conventions, bilateral agreements, and proclamations.

Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specified conditions is that the photocopy or reproduction is not to be "used for any purpose other than private study, scholarship, or research." If a user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of "fair use," that user may be liable for copyright infringement.

The Columbia University Libraries reserve the right to refuse to accept a copying order if, in its judgement, fulfillment of the order would involve violation of the copyright law.

Author:
U.S. Congress. Senate.

Title:
Thirty-hour work week

Place:
Washington, D.C.

Date:
1935

94-82140-2
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

BUSINESS
264
Un395

Thirty-hour week.

U. S. *Congress. Senate. Committee on the judiciary.*

Thirty-hour work week. Hearings before a subcommittee of the Committee on the judiciary, United States Senate, Seventy-fourth Congress, first session, on S. 87, a bill to prevent the shipment in interstate commerce of certain articles and commodities, in connection with which persons are employed more than five days per week or six hours per day, and prescribing certain conditions with respect to purchases and loans by the United States, and codes, agreements and licenses under the National industrial recovery act. January 31, February 1, 2,

(Continued on next card)

35-4993

[5]

BUSINESS
264
Un395

Thirty-hour week.

U. S. *Congress. Senate. Committee on the judiciary.*
Thirty-hour work week. Hearings ... (Card 2)

5, 6, 7, 8, 9, 11, 12, 13, 14, 15 and 16, 1935 ... Washington, U. S. Govt. print. off., 1935.

iii, 493 p. incl. tables. diagrs. 23cm.

Printed for the use of the Committee on the judiciary.
M. M. Neely, chairman of subcommittee.

1. Hours of labor—U. S. 2. Unemployed—U. S. 3. U. S.—Indus. I. Title.

35-4993

Library of Congress HD5123.A4 1935 b
——— Copy 2.

[5] 331.81973

RESTRICTIONS ON USE:

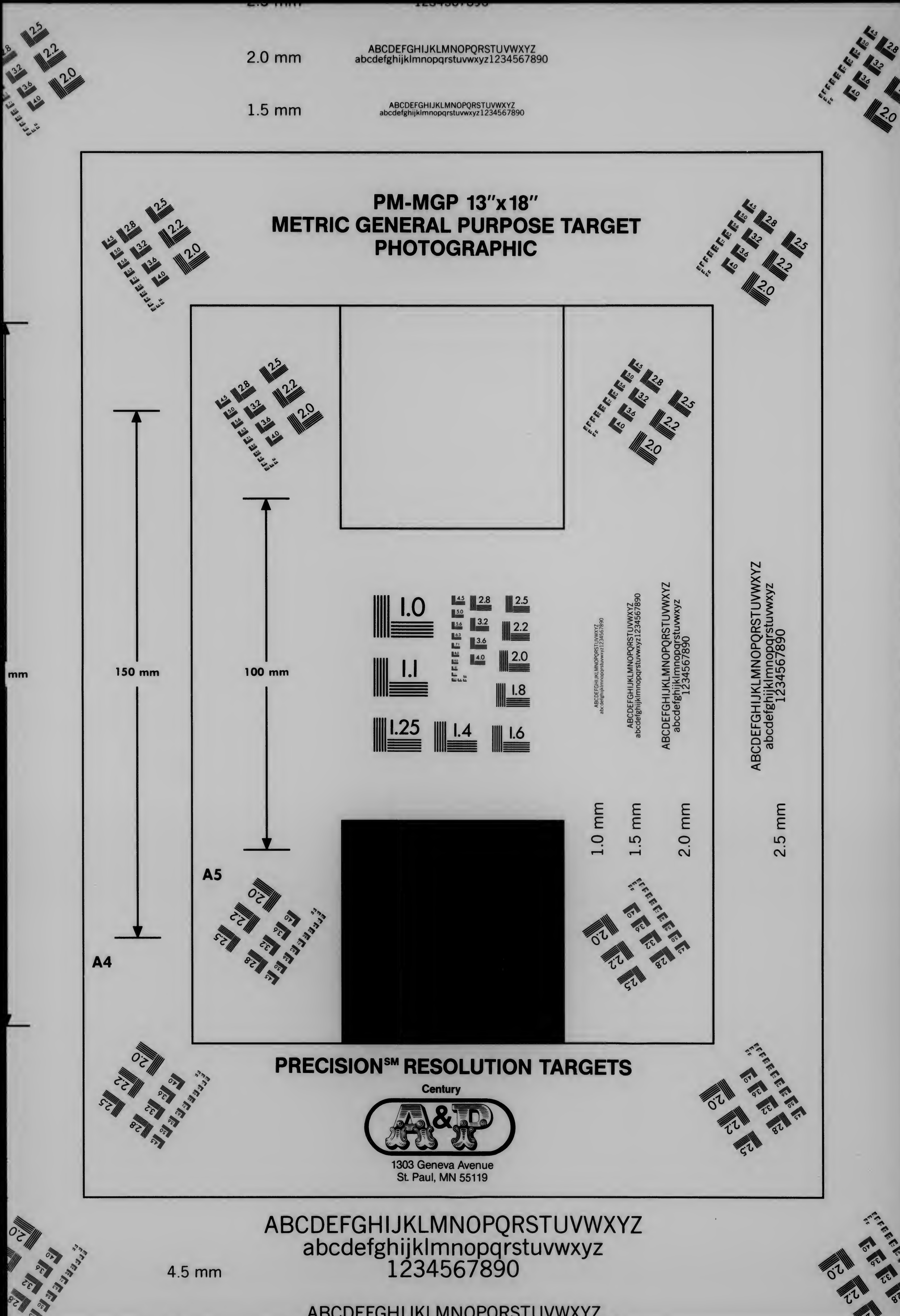
TECHNICAL MICROFORM DATA

FILM SIZE: 35mm **REDUCTION RATIO:** 12:1 **IMAGE PLACEMENT:** IA IIA IB IIB

DATE FILMED: 6-22-94 **INITIALS:** PB

TRACKING # : MSH 01569

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.


2.0 mm
ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890
1.5 mm
ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890
PM-MGP 13"x18"
METRIC GENERAL PURPOSE TARGET
PHOTOGRAPHIC
150 mm
100 mm
A5
A4
1.0 mm
1.5 mm
2.0 mm
2.5 mm
ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890
PRECISION℠ RESOLUTION TARGETS
Century
A&P
1303 Geneva Avenue
St. Paul, MN 55119
4.5 mm
ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890
ABCDEFGHIJKLMNOPQRSTUVWXYZ

THIRTY-HOUR WORK WEEK

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE ЈOMMITTEE ON THE JUDICIARY UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 87

A BILL TO PREVENT THE SHIPMENT IN INTERSTATE COMMERCE OF CERTAIN ARTICLES AND COMMODITIES, IN CONNECTION WITH WHICH PERSONS ARE EMPLOYED MORE THAN FIVE DAYS PER WEEK OR SIX HOURS PER DAY, AND PRESCRIBING CERTAIN CONDITIONS WITH RESPECT TO PURCHASES AND LOANS BY THE UNITED STATES, AND CODES, AGREEMENTS, AND LICENSES UNDER THE NATIONAL INDUSTRIAL RECOVERY ACT

UARY 31, FEBRUARY 1, 2, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 and 16, 1935

Printed for th se of the Committee on the Judiciary

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

113926

D264 Un395
Columbia University
in the City of New York
LIBRARY
School of Business

THIRTY-HOUR WORK WEEK

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS
FIRST SESSION

ON

S. 87

A BILL TO PREVENT THE SHIPMENT IN INTERSTATE COMMERCE OF CERTAIN ARTICLES AND COMMODITIES, IN CONNECTION WITH WHICH PERSONS ARE EMPLOYED MORE THAN FIVE DAYS PER WEEK OR SIX HOURS PER DAY, AND PRESCRIBING CERTAIN CONDITIONS WITH RESPECT TO PURCHASES AND LOANS BY THE UNITED STATES, AND CODES, AGREEMENTS, AND LICENSES UNDER THE NATIONAL INDUSTRIAL RECOVERY ACT

JANUARY 31, FEBRUARY 1, 2, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15 and 16, 1935

Printed for the use of the Committee on the Judiciary

113926

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

Bus.=

59024-35

COMMITTEE ON THE JUDICIARY

HENRY F. ASHURST, Arizona, *Chairman*

WILLIAM H. KING, Utah
M. M. NEELY, West Virginia
HUEY P. LONG, Louisiana
FREDERICK VAN NUYS, Indiana
PATRICK McCARRAN, Nevada
M. M. LOGAN, Kentucky
WILLIAM H. DIETERICH, Illinois
GEORGE McGILL, Kansas
CARL A. HATCH, New Mexico
EDWARD R. BURKE, Nebraska
WILLIAM E. BORAH, Idaho.
GEORGE W. NORRIS, Nebraska
DANIEL O. HASTINGS, Delaware
THOMAS D. SCHALL, Minnesota
WARREN R. AUSTIN, Vermont

SUBCOMMITTEE ON S. 87

M. M. NEELY, West Virginia, *Chairman*

PATRICK McCARRAN, Nevada
CARL A. HATCH, New Mexico
GEORGE W. NORRIS, Nebraska
WARREN R. AUSTIN, Vermont

Bus.
D 264
Un 395

June 9, 1936 RF

CONTENTS

THIRTY-HOUR WORK WEEK

THURSDAY, JANUARY 31, 1935

United States Senate,
Subcommittee of the Committee on the Judiciary,
Washington, D. C.

The subcommittee met, pursuant to call, at 10:30 a. m., in the Caucus Room, 318 Senate Office Building, Senator M. M. Neely (chairman of subcommittee) presiding.

Present: Senators Neely (presiding), Hatch, McCarran, and Austin.

Present also: Hon. Hugo L. Black, Senator from the State of Alabama.

Senator Neely (presiding). This is a subcommittee of the Committee on the Judiciary, to which was referred the so-called "Black Thirty-hour bill," S. 87. The bill may be inserted in the record at this point.

(S. 87 is here printed in full, as follows:)

[S. 87, 74th Cong., 1st sess.]

A BILL To prevent the shipment in interstate commerce of certain articles and commodities, in connection with which persons are employed more than five days per week or six hours per day, and prescribing certain conditions with respect to purchases and loans by the United States, and codes, agreements, and licenses under the National Industrial Recovery Act.

Whereas interstate commerce among the people of the various States has been and is now burdened, hampered, and clogged by a patent and continued idleness of workers as well as the mechanical appliances and implements of production; and

Whereas this continued idleness of men and machines has necessarily resulted in imposing the burden of feeding and supporting more than eighteen million people upon that part of our people who do work and produce, which condition is unjust to those who work and those who cannot obtain work; and

Whereas interstate commerce and trade can best be revived, and the comfort and happiness of the people can best be produced by an economic readjustment that supplies people jobs with wages, rather than charity without jobs; and

Whereas under our economic system production is stifled when purchasers with ability to buy are lacking, and is stimulated to action by purchasers with money; and

Whereas our private productive system is dependent for its own customers chiefly upon its own employees, who cannot buy the output of the system unless producers give them jobs at wages adequate to exchange for the products; and

Whereas private business has not been able, and is not now able, to give jobs to those who need them, on past or existing hours of labor; and

Whereas business chaos, bankruptcies, insolvencies, misery, destitution, and want have resulted, and the American people have been deprived of the incalculable advantages and benefits of the abundance of goods, commodities, and services idle machines and idle people could have produced if put to work: Now, therefore, in order to provide a fairer and more nearly balanced income; to put idle machines and people to work; to increase the purchasing power of the people and thereby stimulate production to capacity; to revive languishing commerce and trade; and to promote the happiness and comfort of the people

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That no article or commodity shall be shipped, transported, or delivered in interstate or foreign commerce, which was produced or manufactured in any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment situated in the United States, in which any person, except officers, executives, and superintendents, and their personal and immediate clerical assistants, was employed more than five days in any week or more than six hours in any day: *Provided,* That upon the submission of satisfactory proof of the existence of special conditions in any industry included herein, making it necessary for certain persons to be employed more than five days in any week or more than six hours in any day, the Secretary of Labor, or his duly selected representatives, may issue exemption permits with respect to such persons, relieving the employer from the provisions of this Act with reference to such persons.

Sec. 2. (a) No article or commodity shall be purchased by the United States, or any department or organization thereof, from any business enterprise operating contrary to any provision of this Act, or if such article or commodity was produced or manufactured in any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment situated in the United States, in which any person, except officers, executives, and superintendents, and their personal and immediate clerical assistants, was employed, after the date this Act takes effect, more than five days in any week or more than six hours in any day.

(b) Each contract made with a contractor for any public work shall contain a provision that the contractor will buy no article or commodity to use on or in any public work from any business enterprise violating any of the terms or provisions of this Act, and will buy no article or commodity which was produced in any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment situated in the United States, in which any person, except officers, executives, and superintendents, and their personal and immediate clerical assistants, was employed more than five days in any week or more than six hours in any day.

Sec. 3. (a) No governmental agency shall make or renew any loan to any employer of labor in any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment situated in the United States, in which any person, except officers, executives, and superintendents and their personal and immediate clerical assistants, was employed more than five days in any week or more than six hours in any day.

(b) On and after the effective date of this Act, any such employer of labor who applies for a loan from any such governmental agency shall agree at the time of making application for such loan that so long as he is indebted to the United States he will not permit any person, except officers, executives, and superintendents and their personal and immediate clerical assistants, to work more than five days in any week or more than six hours in any day. In the event that there is a violation by any such employer of his agreement, the full amount of the unpaid principal of the loan made to such employer shall be immediately payable.

Sec. 4. (a) On and after the date this Act takes effect, every code of fair competition, agreement, and license approved, prescribed, or issued under title I of the National Industrial Recovery Act shall contain a condition that the employers covered by such code, agreement, or license shall not employ any person, except officers, executives, and superintendents and their personal and immediate clerical assistants, more than five days in any week or more than six hours in any day.

(b) Every such code, agreement, and license heretofore approved, prescribed, or issued under title I of such Act shall be deemed to be amended so as to include a provision corresponding to that prescribed in subsection (a) of this section.

Sec. 5. On and after the date this Act takes effect, it shall be unlawful for any employer subject to any of the provisions of this Act to reduce, directly or indirectly, the daily, weekly, or monthly wage rate in effect on such date (or, in the case of an applicant for a loan from a governmental agency, on the date his application is submitted) with respect to any of his employees until a reasonable opportunity has been afforded to his employees, through representatives of their own choosing by a majority vote, to meet with the employer or his representatives and to discuss and consider fully all questions which may arise in connection with the reduction of such wage rate.

Sec. 6. Any person who violates any of the provisions of this Act, or who fails to comply with any of its requirements, shall upon conviction thereof, be fined not less than $200, or be imprisoned for not more than three months, or both.

Sec. 7. (a) This Act shall become effective thirty days after the date of its enactment, and it shall not apply to commodities or articles produced or manufactured prior to its effective date.

(b) Nothing in this Act shall be construed to apply to agricultural or farm products processed for first sale by the original producer.

(c) This Act shall remain in force for two years after the date it becomes effective.

Sec. 8. If any provision, clause, or paragraph of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act, and the application of such provision, clause, or paragraph to other persons or circumstances, shall not be affected thereby.

Senator Neely. The subcommittee has convened to hear those who wish to speak for or against the bill. We shall be glad to hear from Senator Black, the author of the measure.

STATEMENT OF HON. HUGO L. BLACK, A SENATOR FROM THE STATE OF ALABAMA

Senator McCarren. Senator Black, I am a member of the Committee on Appropriations and may have to leave for a short time to attend a brief meeting of that committee. I hope you will not feel it a discourtesy, but it is a necessity. I will get back as soon as I can.

Senator Black. That is quite all right.

Senator Neely (presiding). You may proceed, Senator Black.

Senator Black. Mr. Chairman and gentlemen of the committee, I assume the first thing to do with reference to this bill is to refer to the mechanics of the measure, and I do that so that it might be thoroughly understood by the committee as to just what the objects and purposes of the bill are, as I conceive them.

This is a different measure from the one which was originally offered; it is different in that it has a broader scope. Also, it will have a broader field in which to operate. The original idea introduced in the 30-hour work bill, which was taken up and passed by the Senate at the last session, still remains in this measure. The objective is the same, the difference being that, in addition to the field covered by the original measure, this one is broader and includes more industries and activities.

The beginning of this bill is a series of "whereases" intended to explain the objects and purposes of the bill and its extent, and also intended to show its relationship to interstate commerce.

The first paragraph of the bill, found on pages 2 and 3, is essentially the same as the paragraph in the original 30-hour week bill which was passed by the Senate. This one relates to goods and commodities shipped, transported, or delivered in interstate commerce. Therefore, it is intended to come under that clause of the Constitution authorizing the Congress to enact legislation to regulate interstate commerce.

I believe probably most of the Senators were here when we had that measure up originally, and are familiar with the arguments that were presented in connection with that particular phase of the bill. In other words, this paragraph simply and briefly provides that no article or commodity shall be shipped, transported, or delivered in interstate commerce which is produced or manufactured in certain names business enterprises, in which any person, with certain limited exceptions, is employed more than 5 days in any 1 week or more than 6 hours in any day.

Senator AUSTIN. May I ask a question at this point?

Senator BLACK. Certainly.

Senator AUSTIN. I notice in your statement the word "foreign" was omitted. I was interested in that. Was it intentional?

Senator BLACK. Yes. It was omitted from the original bill. It was never included in the original bill.

There is contained in this paragraph, as in the other bill which was passed by the Senate, a provision that upon the submission of satisfactory proof of the existence of special conditions in any industry included in it, making it necessary for certain persons to be employed more than the prescribed hours, the Secretary of Labor or duly selected representative may issue exemption permits with reference to such person. It will be noted that this exemption does not apply to industries. It was originally placed in the measure and was originally discussed in the Senate on the basis that there would be certain people engaged in activities of such kinds and at such times that it would be necessary for them to work more than 6 hours per day. For instance, in case there was a break-down in any plant, such necessity might well arise. I mention that as one example of the possibility of an emergency. It is not contemplated by this exemption, nor was it in the original exemption, to give any general broad powers with reference to exemptions, it being the fundamental idea underlying this bill that, in order that a shorter week and work day could be effective, it must be broad and general in its scope; and its effectiveness can be absolutely destroyed by the granting of exemptions to industries. And it was thought in addition to that that it would be more fair to the entire industrial set-up to have a uniform number of hours per day and per week, but it was realized that in spite of that fact there would be special circumstances and conditions which might require that certain persons be exempted.

That, in brief, Mr. Chairman, is the mechanical part of the first paragraph, which is based, as I stated, on the constitutional clause giving the Congress the right to regulate interstate commerce.

The second paragraph, or section 2, is a new paragraph, which is not based on the interstate commerce clause. The argument of those who originally believed that the Congress did not have the power to pass the first paragraph would not apply to the power to pass the second paragraph. The second paragraph simply provides that no article or commodity shall be purchased by the United States or any department or organization of the United States from any enterprise operating contrary to any of the provisions of this act, or if such article or commodity was produced or manufactured in any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment in which the employees were required to work more than 6 hours per day or 30 hours per week. This paragraph, therefore, is based upon the right of the United States Government to buy its goods or commodities from such persons or corporations as it sees fit and upon such terms and conditions as it may require.

If the committee should desire at any time before it completes its hearings, I will be glad to give you opinions which, in my judgment, make the power of Congress to pass this particular feature beyond any doubt.

Now, in paragraph (b) of the same section, an additional provision is made that any contract made with any contractor for any public works shall contain a provision that the contractor will buy no article or commodity to use or in any public work from any business enterprise violating any of the terms or provisions of this act; that is, any contract made by the Government with any contractor shall contain such a provision. It contains the further provision in substance that such contractor will buy no article or commodity to use on any public work which was produced contrary to the terms of this act requiring a 30-hour week and a 6-hour day. This subdivision of the paragraph, therefore, is based upon the same power of Congress, and was intended to be based upon the same power of Congress, which gives it the right to determine the provisions of contracts to be made by the Government for the purchase of goods or commodities.

Section 3 is based upon an entirely different idea, except as to the objective to be attained. The Government, through various agencies like the Reconstruction Finance Corporation, has embarked upon the business of making loans to various kinds of business activities. I assume that there will be but little question that the Government, as any private banking institution or private individual, would have a right to make those loans on such terms and conditions as it saw fit. this section 3, therefore, provides that no governmental agency shall make or renew any loan to any employer in any of the various kinds of business outlined, or whose employees are required to work more than 5 days in any 1 week or 6 hours in any 1 day. That is contained in paragraph (a) of section 3. In other words, this paragraph (a) of section 3 is based upon the right of the Government to require a 30-hour week and a 6-hour day as a condition to making loans.

Subdivision (b) of the same section 3, which is similar to subdivision (a), provides that after this act has been passed any employer of labor who applies for a loan shall agree at the time of making the application for the loan that he will abide by these provisions and will not work his employees over 30 hours a week or 6 hours a day.

Section 4 covers another field, which has the same objective—a 30-hour week. It provides that on and after the effective date of this act, every code made under the National Recovery Act shall contain a provision that the employees covered by the code shall abide by the terms and provisions of this act with reference to the 30-hour week and the 6-hour day. That is contained in subdivision (a) of section 4.

Subdivision (b) goes a step further and provides that codes which have been heretofore made shall be deemed to be amended so as to include these provisions for a 30-hour week and 6-hour day.

Those are the paragraphs and sections which relate to the coverage of this act or to the field within which it will operate.

Section 5 is intended to protect the employee in his wages. Assuming that the committee shall report favorably and the Senate shall pass the bill, and it shall become a law, containing these provisions for a 30-hour week and 6-hour day, the next question is, What will occur to the workers? They will want to know whether or not their wages are to be increased or decreased. It is my objective to increase the aggregate wages received by those who work. In other words, I do not offer this, and have never offered it, as simply a share-the-work piece of legislation. I have offered it, for reasons which I shall hereafter state, with the idea that it shall increase the aggregate purchasing

power of those who must buy the goods and commodities produced by our vast productive machinery. Therefore, I desire to protect the wages of those who work the 30 hours.

To that end I have included, this time, section 5, which provides that on and after the date the act takes effect it shall be unlawful for any employer, subject to the provisions of either one of the paragraphs of this act, to reduce, directly or indirectly, the daily wage rate or the weekly or monthly wage rate in effect on such date, with respect to any of his employees, until a reasonable opportunity has been afforded to his employee, through representatives of their own choosing by a majority vote, to meet with the employer or his representatives and discuss and consider fully and freely all questions which may arise in connection with the reduction of such wage rate.

I assume that, so far as all the paragraphs are concerned, except the first, which relates to the interstate-commerce feature, unless it would be the section with reference to codes, there will be little question raised as to the power or the right of Congress, so far as its contracts or loans or public works are concerned, to protect the wages of those who work. As a matter of fact, the Supreme Court has upheld that right in several cases with reference to making contracts. It has held that the Government has the right to have such stipulations in contracts with private industries.

That being the case, the question arises as to how these wages can be protected, if that is the object—and that is the object—and not reduce the aggregate amount going to the wage earner, but increase it. Practically the only method that has operated with great success in this country—and I might say in a good many other countries—with reference to the protection of wage rates has been through collective bargaining.

Whether any man favors it in all its features or not, he cannot help but recognize the fact that it has greatly sustained the wage rates and greatly improved the standards of living for the workers, both those who come directly within its scope and those who are indirectly benefited by it.

That being the case, the question arises as to who shall represent the workers. I have thought it wise to provide in this measure a stipulation that they shall be represented by representatives of their own choosing by a majority vote.

After that has been done, if this bill should be passed and become law, what will be the steps to be taken? With this paragraph in effect, the employer would not have the right to reduce the daily, hourly, or weekly wage rate until a reasonable time had elapsed within which the employees would have the right collectively to meet and discuss the problem with the employer. It is my belief that with that right given to the wage earners, and with the public sentiment backing it, to bring about adequate wage rates to those who work, it will not result in a decreased hourly, weekly, or monthly wage rate. Therefore, if the bill should be enacted into law, it will increase the aggregate earnings of the employees.

The other provisions of the act include a penalty provision in section 6, which will provide a fine of not less than $200 or imprisonment for not more than 3 months, or both, for violation of this act, and it only provides such penalty for violation of the terms of the act itself.

It also provides in section 7, subdivision (a), that the act shall become effective within 30 days after the date of its enactment and shall not apply to any commodities or articles produced or manufactured prior to its effective date. It does not apply to agricultural or farm products. When the bill was originally offered it provided it should not apply to agricultural products. When it was before the Senate a provision was added that it should not apply to farm products processed for first sale by the original producer. That clause has been included in the bill as now offered. As I stated, that was added to it by the Senate.

Senator HATCH. At this point may I ask a question?

Senator BLACK. Yes.

Senator HATCH. Would that be sufficient to exempt the governmental agencies that make loans, like the Farm Credit Administration?

Senator BLACK. Lending to farmers?

Senator HATCH. Yes. I was just wondering if you had thought about that.

Senator BLACK. I would say that it would, because it cannot apply to agricultural or farm products processed for first sale by the original producer. I would not be absolutely sure, but it is my recollection that that particular phrase came up on the Senate floor, and someone suggested the amendment "processed for first sale by the original producer."

That is the mechanics of the bill. I can state briefly the philosophy of the bill, as I understand it, and the objectives of the measure, according to the plan I have in my own mind.

At the time this bill was originally introduced, as I recall, according to the best figures then obtainable, there were 15 million people unemployed in this country. At the present time there are no authenticated statistics upon which we can definitely and positively rely. According to the figures I have seen, the estimates range from 7 million to 11½ or 12 million. The last figure that was given me authentically with reference to those who were being fed by public charity shows that there are 18 million people in that situation. As I recall the estimates of those in control and who have studied the situation, they indicate that that might rise to 21 million before many months have elapsed.

There are only two ways for people to be employed in this country. One is in private business and one is in public business. I prefer to have them employed in private business. I am wholly and completely out of sympathy with the idea expressed by the gathering at White Sulphur Springs that the way to take care of the unemployed is simply to feed them and give them small and meager relief from time to time. It seems to me that that is contrary to every principle of our institutions, and it would clearly prolong depression in this country indefinitely, with more continuing to be supported by the Government; or, if the plan advanced at White Sulphur Springs is carried out, they would continue to be supported by local communities.

From my observation of the situation as it exists in this country in local communities, the idea of sending them back to the local communities for support seems to me to amount to no more than simply asking the poor to feed the poor, and asking the starving to keep the others who are starving alive. I do not believe that it is possible in

most of the local communities of this Nation, as conditions exist now and have existed for a long time, for us to throw these people back onto the local communities and expect them to give them adequate support.

I have thought a good deal about what are the objectives of private business. I am reasonably sure in my own mind that there are two main objectives. One is to supply goods and service to the people, and the other is to supply jobs to the people. If private business fails in either one, either through its own fault or by reason of circumstances beyond its control, it has failed in one of the two chief objectives of private business. It has failed to give employment to people who need it, and we are today still facing a situation with millions of people out of employment who must be fed or supported in some way or manner. We are confronted with a situation that we have never met before. We have met it in an unscientific manner, but perhaps the best manner possible under the immediate circumstances. But I prefer to try to evolve a plan which will give jobs to the people who need them, in private business.

It may be true, that private business, on account of technological advances, will have to have its purchasing power supplemented continuously and permanently by public works; but, if so, those public works should be reduced, in my judgment, to the lowest point possible. Therefore, I favor shortening the working hours in private industry in order that these people may be given jobs at private work. It is inevitably true that business must support these people in one way or another. It can continue to support them through taxes, constantly increasing the amount of taxes, supporting them either through charity without work or jobs through public enterprises; or it can arrange its business affairs in such way that private business can absorb them in its own work.

I do not believe that it is possible for private business to absorb these people with the present hours of labor. I have read with a good deal of interest the supposed scientific study issued by the Brookings Institute. Except as to statistics that have been taken from authenticated Government figures. I find that their conclusions are not very compelling or persuasive to one who gives them careful study. I rather believe, as I believed before, that the opinion of those who have seen that the rapidly increasing productive capacity of our wage earners makes it necessary to reduce hours, is still correct. Certainly since 1929 there has been nothing that has occurred which tends to show that private industry could or would absorb the unemployed workers on the present hours of labor, or on the reduced hours of labor brought about by the National Recovery Administration. It has not done so, and there seems to be nothing at present to indicate that it will absorb them. The figures I have been able to find indicate that such a thing is impossible.

I am not going into any figures before this committee on that subject. I do desire to read a statement made several years ago by Mr. Ralph E. Flanders, who was then vice president of the American Society of Mechanical Engineers. This appeared in the publication of the American Academy of Politics and Science for July 1932, in which he said:

So profuse is the output of our natural resources and of our factories, so complete are our commercial organizations and our transportation systems, so efficient, on the whole, is the use of human labor in these activities and so lavish is the application of power, that the practical limit of the production and distribution of goods is beyond our conception. So far as possibilities are concerned, those limits are set only by the desirable rate of use of natural resources, and by whatever balance our population shall determine on as between the enjoyment of leisure and of goods. Practically, the limits are set by faulty and economic organization; and herein, of course, lies the problem.

A short time ago, and shortly after these two gentlemen connected with the Brookings Institute issued their book, a committee under the administration of the United States Government entered into a national survey of potential productive capacity. After a long investigation with a number of engineers and employees they reached the conclusion that in 1929 goods with service value of a little more than $90,000,000,000 had been produced, and that goods with a service value of over 135 billion could have been produced had the existing plants been operated at approximate capacity.

In other words, they found that that would have been a sufficient amount of production, if divided, to give $4,400 to each family in the Nation, instead of $2,800 to each family in the Nation, averaged, under the actual production in 1929. That was an increase of 45 percent that that investigation showed could have been produced in 1929 if our production plant had been run to capacity. That, by the way, was more than twice the surplus that the Brookings Institute investigators reached the conclusion could have been produced.

I want to give just two or three examples of what has been happening, and these are taken from Government statistics. These are with reference to the output per wage earner, and not per capita. In the Brookings Institute book they say "output per capita", which is necessarily and completely misleading. What we are interested in is not the output per capita, including those who work and those who do not work. We are interested in the output of those who actually work or are capable of working.

Cotton-mill operation dropped from 472,000 in 1923 to 425,000 in 1929, although there was no drop in output in the textile business or cotton manufacturing. The output per man in soft coal increased 60 percent since 1900, copper mining doubled, and iron ore practically trebled. This appears in the Brookings Institute investigation taken from Government statistics. The output per man-hour in pressrooms has increased from 100 to 200 percent in 20 years. That is found in a statement made by Elizabeth Faulkner Baker, on the subject of "Displacement of Men by Machines", in 1915.

Right here may I state that the original bill did not include publishers, but this bill does. It might be surprising to learn that the publishing business ranks right at the top of all the vast business enterprises in this country with reference to manufactured products. They rank above automobiles and steel. It covers a large number of people in this Nation. It is organized and conducted as a business for profit. It is not a philanthropic enterprise. I see no reason why it should be exempted from a law which would apply to other industries employing a large number of people. Consequently it is included and, in my judgment, it should remain included in any measure which regulates the hours of work. Certainly, it seems to me we should not exclude or exempt an industry which ranks right at the top in this Nation, and which is displacing men by inventive genius as rapidly as, if not more rapidly than, any other kind of industry in the entire Nation.

Senator AUSTIN. In which paragraph of the bill does that appear?

Senator BLACK. In the original bill they were excluded by name. That has been eliminated from this measure.

Senator AUSTIN. I see. Thank you.

Senator BLACK. In the report on "Recent Economic Changes", made by President Hoover's committee, some very interesting studies are shown to have been made by that group of investigators. They made an investigation, for instance, of 35 factories engaged in various kinds of work which had continues records from 1919 to 1927. Their study showed an increased production per man-hour of 75 percent over that period from 1919 to 1927. And from 1924 to 1927, during these 3 crowded years, that study showed an increase in production per man-hour of 39 percent. That is an illustration of the rapidly growing business of this country, and the increased production per man-hour which must necessarily affect the number of men and women engaged in productive enterprises in America.

It has never been my own idea that this Government should adopt any plan which will retard such growth. Instead of being against it, I favor it. I see no reason why we should not in every way encourage the invention of machinery which will displace human labor; but when we do that we will continue to throw our economic machinery wholly and completely out of balance if we increase profits of the employer and decrease aggregate earnings of those who work. Therefore, we find ourselves at a place where we must make a choice.

Let us take the automobile industry, for instance. Their production increased 888 percent from 1914 to 1925, a marvelous growth and increased productivity of labor. With other industries in the Nation following along the same course with inventive genius unbalanced, permitted to go as far as it can, we will find ourselves, in my judgment, at a place where we must make a choice. That will necessarily continue to release men from employment. Studies of other industries show exactly the same thing, that they have continued to produce as much or more with fewer human beings engaged in labor.

Now, of course, we can simply employ fewer people and raise the wages of those who are employed. That is a theory, but it has not worked out in practical application. If that were done we would still have the problem of supporting those who had been thrown out of work. The only recourse left would perhaps be to follow the recommendation of the gentlemen at White Sulphur Springs, and simply discard them permanently and give them charity, to which I am opposed. Or we could send them back to local communities and let them starve to death. In local communities the people are just eking out a bare existence.

Another course we could follow would be to simply divide the work among those who are left with shorter hours and no increase in wages. If we do that we decrease purchasing power, and finally we have reached the point, I think, where most of the people recognize that the only thing in the world that will put machines and men to work is purchasing power. The spring that starts the wheels to running is the idea of a profit. The only way they can ever hope to have a profit is to have solvent customers. Most of their customers are the men who depend for their living upon what they raise on the farm or what they get for their daily work. I believe that careful and conservative estimates will show that over 90 percent of the entire purchasing power of this Nation comes from those who depend in the main upon the prices for their farm products and the prices of their wages or salaries. Sometimes they will be commingled with dividends, but there are very few dividends that go to those in the lower income brackets.

Another method that could be adopted to take care of the people who are dismissed would be to take care of them on public works. Of course, if we take care of them on public works that competes with the private activities of industry. We have to that extent deprived those employees who work in industrial activities of a portion of their income. So the question arises of finding the necessary public works, such as roads, highways, parks, waterways development, and so forth. It is my own opinion that we must continue to employ a large number of people on public works, even if we shorten hours, because I do not believe that even the 40-hour week, from the study I have made of it, can possibly absorb all the people in private employment, but until they can absorb at least a maximum number, the last alternative will be to adopt a shorter workweek and workday with increased wages.

Our system has built up such conditions that profits are destroyed, unless we pay good wages and good farm prices, because the system absolutely depends upon good wages and good prices. The distribution of income is between those who draw interest, those who draw wages, and those who draw rents or profits. If you fail to do that, you reduce the purchasing power of one group. It has been shown by numerous studies that we have a situation where income is growing in large amounts with a very small group of people, and incomes are lessening to a large group of people. That is shown by statements made by many people, and also included in the Brookings Institute report, where they analyze census figures and income, and show that 28 percent of the income is drawn by 2 percent of the people, and 28 percent is drawn by 65 percent of the people. It also shows that 82 percent of the people must depend upon incomes under $2,000.

The plan contemplated by this measure, therefore, is to apply a uniform rate to all industry. It seems to me to be wholly unfair to apply, for instance, a 36- or 40-hour week to one industry, and apply a 40- or 48-hour week to another industry that may compete, directly or indirectly, with the first one. It always has seemed to me and seems to me now that the fairest way to all industries, to all groups of industrial activity, is to apply a uniform workday and workweek to these various industries, instead of attempting to fix a certain workday or week for one industry, and another for another, while millions of people still continue to be supported by public charity.

It is manifest that we have more than enough people today, and have had since 1929, even if we could shorten the workweek to 30 hours, to produce far more than we have produced since 1929. The idea that the 30-hour week will reduce the production, in my judgment, is wholly erroneous and a misconception of the true situation. It is my belief that it will increase production, even if we were to go back to one of the peak months, as the Brookings Institute has done, in 1929. And if we study those figures carefully, not the conclusions, but the figures on which they base their conclusions, we will find that with the 30-hour week even at that time we could have fully taken care of every demand.

They, for instance, accept one shift where the plant was working one shift. What reason was there why they could not have worked two shifts, if it was necessary to produce? They adopt a service requirement, and they have adopted every kind of plan that might be found in the inefficient production system in order to reach the conclusion they finally reached that we were only producing within 80 percent of our capacity. Even if we were, it would have been only for a short time. Certainly the history of every decade has shown, in the last few decades, that the 30-hour week would have produced far more than we did produce through those years, and would have given the people far more than they had, if the incomes had been distributed in such way that they would balance.

This bill is intended to bring about a more equitable distribution of incomes. Purchasing power in this country is the only method for the distribution of income. It cannot come any other way. Income may come from profits, or may come from dividends, or may come from interest, or may come from wages. I include in the word "wages" the farmer's income, because I consider that in the broad economic sense that is wages. During the time we thought we were doing so well, along in the twenties, we found the farmer's income went down to the point where his dollar would buy only 50 cents worth of what he produced.

During your consideration of this bill you will notice one very significant fact. When an effort is made to raise the standard of living of the average man, immediately an attempt is made to bring a line of hostility between the farmer and the wage earner. There is no natural line of hostility between the farmer and the wage earner. There is no such line between those who occupy the lower-income brackets. There is no reason why increased wages should injure the farmer, or increased farm prices should injure the wage earner. The farmer depends in the main for his customers upon other farmers and other wage earners. He cannot depend upon that 2 percent that draws such a large proportion of the national income. He must depend upon the large percentage that draws a small percentage of the national income. So that the farmer and the wage earner are naturally drawn together, and, in my judgment, cannot be separated.

It will be the objective before this committee and before the country to try to make the farmers of the nation hostile to this measure, because they say it will raise the price of the things they have to buy. In the first place, according to a study which appeared yesterday in the Washington Post, labor's share of the cost of production was 16.8 percent. If you were to concede that increasing the wages would increase the prices, it could only increase prices one-sixth if every dime of it should be included in the increased price, because it is only one-sixth of the cost. What has always happened when there was an increase in wages was that that has always been pyramided far more than the increased cost. If they would take every dime of it, it would be only one-sixth.

In the next place, there is no hostility between the farmer and the wage earner because they are each others' customers. The solvent wage earner can pay more for butter and milk and other products of the farm than the insolvent. The same is true of the farmer. The farmer who is solvent can pay a good deal more for the products of the farm and factory than one who is insolvent. What I am seeking to do and what those who favor this measure are seeking to do is to raise the purchasing power of both the farmer and the wage earner, and there is an attempt to drive a wedge between the farmer and the wage earner by carrying out the old idea of trying to bring about a separation between the two who are natural friends and make them artificial enemies by propaganda such as has been introduced in a number of speeches and in the study by the Brookings Institute.

It is my judgment that the purchasing power of both must be increased, and in order to bring about a balanced production, inorder to make a profit, but to reduce profits to the extent of a reasonable profit only, it seems to me it is necessary to bring about a natural expansion of business. What has happened is that profits and interest and rents have increased to such an extent that many people have much more than they have needed, and a great majority of the people have had far less than was necessary for a proper standard of living.

The idea in this bill is to bring about a better distribution of the income produced by our great economic machinery. That is he idea I have in mind in this bill. I believe that if we adopt it wholeheartedly, not by piecemeal, it will be of great benefit to the workers of this country. Sometimes you can lose a great deal of the effect of a measure when you attempt to go at it by piecemeal. If we adopt a uniform 30-hour week, as provided in this measure, there is no possible escape from the conclusion that it will put millions of people back to work.

One of the reasons why they say it will not is because they say they are only working 33 hours now, and to reduce it to 30 hours would not put back a large number. That is a misleading statement. If you work a man 32 hours per week, taking the extreme, and work him 16 hours per day, you can require the use of a good many more men by reducing that to 6 hours per day and still retain the 32-hour week. It will undoubtedly require the employment of a large number of men. When that is done, instead of reducing the purchasing power, if the wages are not decreased, it will increase the purchasing power.

Machines will stay idle. Factories will stay closed. They do not produce simply for people to use. They produce to sell to customers who can buy, and customers cannot buy when they are in receipt of a wage insufficient to make the mill operate at a profit. Under our system we have to recognize that fact, and attempt to bring about a sufficient purchasing power to accomplish that result.

I believe if this measure is adopted we can put millions of people to work directly simply by shortening the hours and requiring the employment of more people, and we could put millions of people to work indirectly because those who are originally put to work at high wages can buy the products of the factories, and the factories will gladly turn their wheels and operate when they can sell and make a profit.

In my judgment, they must realize in this county that they cannot continue blindly insisting that we must cling to a method that forces them to keep their machinery idle and millions of people without work, when they can produce by putting these people to work at wages that will permit them to make a profit, perhaps not so much as they did in the good old days when millionaires were produced overnight, but enough to give that fair and reasonable profit which a reasonable interpretation of the profit system contemplates they should have.

113926—35——2

I sincerely hope the committee will find it possible, when they have studied this measure, to make a favorable report to the full committee.

Senator HATCH. I would like to ask the Senator about this provision I referred to a short time ago. Section 3 provides that Government agencies shall make loans to employers.

Senator BLACK. Yes.

Senator HATCH. That would include the Farm Credit Administration, and perhaps others. This exemption only exempts the products. Should not that section 3 contain a further and more specific exemption?

Senator BLACK. I will state to the Senator that the bill contemplates the exclusion of agriculture.

Senator HATCH. You have assured me of that.

Senator BLACK. I personally would have no objection to any kind of an amendment which would make that clear, if it is not clear as it is drawn. I think it should be clear.

Senator AUSTIN. I do not think I understood your statement respecting the scope of the bill, especially in the first section at the top of page 3, which provides that no article or commodity shall be shipped, transported, or delivered in interstate or foreign commerce. When you made your statement I noticed you referred only to "interstate" commerce, and I asked a question about it. Will you state whether, in the bill which was considered at the last session of the Congress, you omitted the words "and foreign"?

Senator BLACK. My recollection is that the word "foreign" was omitted in the other bill originally. I would not be absolutely sure about that, but that is my recollection.

Senator AUSTIN. And it is intentionally included in this draft?

Senator BLACK. It is included to be considered in connection with the entire subject. As I recall, and it is rather vague and I may be mistaken about it, there was a question in my mind as to whether it should or should not refer to both domestic and foreign commerce. Whether that question was in my mind to the extent that I left it out, I am not certain, but I am of the opinion that I did. I thought it might be considered in connection with the entire subject.

Senator AUSTIN. I suppose that you then had in mind the competition that might be unfair toward our own producers?

Senator BLACK. That is correct.

Senator AUSTIN. And that does include foreign commerce?

Senator BLACK. That is correct. Frankly, I have always thought that was a matter which should receive very careful consideration. I was very much opposed to the provision which attempted to prohibit the importation into this country of any goods that were not manufactured under like conditions, but I have always thought that should be considered in connection with the entire subject, by reason of the very fact you have mentioned.

Senator AUSTIN. I have in mind certain industries in this country whose market is said to be 33⅓ percent foreign customers. It would seem worthy of consideration that our goods in this country, based on the 30-hour week plan, would be subject to considerable handicap under this proposed law in competing with foreign manufacturers who are free from such restrictions, and that some manufacturers in America would be adversely affected by such a provision. Have you studied that?

Senator BLACK. We did not have that particular matter up, and I do not have the figures. We can very easily obtain them. I had them before in my file but, as I recall, we did not put them in.

Senator AUSTIN. I wish we could get those figures.

Senator BLACK. I think we can get them. The matter to which you refer is indirectly analogous to the provision of the tariff which, as I recall, permits certain raw products to come into this country tariff free, then to be held in bond to be manufactured here and sold abroad. You will recall that we had that question up when th tariff bill was before the Senate.

Senator AUSTIN. I was not here then, but I have that in mind.

Senator BLACK. I am sure that I can get those figures.

Senator AUSTIN. I would be very glad to have them, because I have two or three companies in mind in my State.

Senator BLACK. Very fortunately, our foreign trade has gone up in the last 6 months.

I thank the committee for their indulgence.

Senator NEELY. We are very much obliged to you, Senator Black. Mr. Green, are you ready to proceed?

STATEMENT OF WILLIAM GREEN, PRESIDENT OF THE AMERICAN FEDERATION OF LABOR

Mr. GREEN. Mr. Chairman and members of the committee, I consider the principles embodied in the bill sponsored by Senator Black as of tremendous importance not only to the wage earners of the Nation but to the owners and management of industry as well. I am of the opinion that the provisions included in Senate bill 87, as drafted and proposed by Senator Black, are designed to strike at the very heart of unemployment. Our experience during the last 5 years clearly shows that if unemployment is to be overcome, and these millions of workers who are idle are to be reabsorbed in private industry, adjustments must be made in the number of days worked per week and the number of hours worked per day. If the code-making process through which we have been passing serves no other purpose, it has served that one great national public purpose in that it has demonstrated by construction, analogy, and application that the remedy for unemployment lies in a more equitable distribution of the amount of work available and the development of a consuming market through the increased purchasing power corresponding with our wonderful facilities of production.

I appreciate the fine public service which Senator Black is rendering the Nation. He courageously and successfully sponsored a measure of this kind during the last session of Congress. As a result of that the attention of the people was attracted to the economic philosophy as well as the mechanics of the measure, and the people all over the Nation have been talking about the proposal sponsored and advanced so successfully by Senator Black as the real remedy for unemployment.

While we have experimented in other ways, tried this measure or that measure, applied this or that character of economic philosophy to our own unemployment problem and that of others, the fact remains that there are 11 million unemployed people in the United States today and, according to the latest figures made public by the unemployment relief organization of the Federal Government, between 18 and 19 million people upon relief.

Now, I come this morning in behalf of the American Federation of Labor and those for whom I have authority to speak. I am here for the purpose of giving official and personal endorsement and approval to this measure. We are here appealing in behalf of the masses of the people for relief from their deplorable condition by the application of a real remedy for unemployment. I consider it such a vital subject and so important to the Nation that I have endeavored to prepare the case of labor carefully, and I am vain enough to believe that the American Federation of Labor, as I will present its case, has prepared a case in support of this measure that is unanswerable from either an economic standpoint or a social or an industrial point of view.

In supporting the 30-hour-week bill, the Federation of Labor is proposing the essential remedial measure which will meet our emergency difficulties and serve as a principle for permanent development. Our proposal seeks progress without a violent overthrow of our existing institutions. We would not destroy private property but would establish the rights of those who lost control of the product of their work when hand tools gave way to power-driven machinery. We recognize that the cycle in industry includes both production of goods and their distribution for use in maintaining higher standards of living. Failure of industry to assure purchasing power so as to sell the output of consumer goods and service industries is the major cause of our break-down.

We believe power, machinery, technology, are the means to highest productive capacity so that comforts of living and opportunities for self-development may be available for all. We say to industry and technology "Bring on your machines, but let us use them under rules that benefit us as well as you."

Hours shortened in proportion to the rate of the use of power-hours is essential to providing employment for all so that all may have incomes.

Wage increases in relation to increased productivity are essential to provide the consuming power for output of consumer goods and service industries.

Those who object that national income is not adequate to sustain production, we remind that they overlook our major financial resource—credit. More purchasing power in the hands of consumers increases the credit opportunity of industry and results in greater demand for the products of industry. Capacity production would, furthermore, mean decreased unit production costs and lower prices.

Finally, we wish to impress upon you that our proposal deals with dynamic forces, not static situations. And when I say "our" proposal, we are supporting the Senator's proposal, which I am pleased to term ours as well as his. We want it to be regarded as the proposal of labor, supported by labor, endorsed by labor.

Finally, we wish to impress upon you that our proposal deals with dynamic forces, not static situations. Change in any existing factor and the injection of any new element or condition, alters results. Unpredictable trends are involved, therefore statistical proof is not wholly adequate or conclusive.

However, we have as guides past experience with reductions in hours which have always resulted in technical progress, increases in productivity, lower unit costs.

We know that increases in wages stimulate production and make better business.

During the past 3 years, the number of our unemployed has exceeded 13,000,000 and has never been under 10,000,000. To meet this problem, there is apparently complete agreement of all groups in our national life that working hours should and can be very much shortened. These millions, ranging from 10 to 13, have not been idle for 1 day or for 1 week. They have been crying for work for 5 years. So we are not basing our conclusions upon the fleeting or passing experience of a day or a week or a month. We are basing them upon a long-time experience covering more than 5 years.

The principal point of disagreement is when that reduction can be made. Employers, generally, and their spokesmen take the position that the decrease in hours of work can come only after we have made our productive processes much more efficient than they are at the present time; after we have achieved a much higher standard of living for the masses of our population. This is another case of putting the cart before the horse. This position completely overlooks the fact that a shortening of the hours of work, to keep pace with the improvements in machine and managerial techniques, would, in itself, be a prime motivating factor in bringing about a more efficient system of production and a better standard of living. To increase our efficiency without reducing hours of work would but add to our present burden of unemployment.

We have had ample evidence since the adoption of the National Industrial Recovery Act that half measures and timid steps will not put to work our unemployed, increase our purchasing power, and broaden our market. Nearly 2 years ago a bill for the 30-hour week was passed in the Senate. It was stopped in the House only by a counter proposal of the National Recovery Act. We have now functioned under that act for more than a year. That is what we have been doing, and as a result we are face to face with what I would regard as a national calamity. We have now functioned under that act for more than a year. Industries are coded. We have had ample time to judge how the terms of that act have affected and will affect our industrial problems. In June 1933 organized labor had high hopes that the National Industrial Recovery Act would fix maximum hours of work at standards which would provide more jobs and would increase wages so that significant increases in the purchasing power of the masses would result. We have suffered severe disappointment and disillusionment in the administration of the act. Employer interests have dominated code making and administration. The N. R. A. has not solved our problem of unemployment.

Please bear in mind that the primary purpose, the chief objective, of the National Industrial Recovery Act was to overcome unemployment, secure a reduction in the hours of labor, and an increase in buying power. Its plan was this: We will code the industries, we will reduce the hours of labor, we will spread the amount of work available, we will develop wage standards sufficiently high so that the purchasing power of the Nation will be equal to our productive capacity.

Now, while it is true that as a result of the incorporation of this principle in the industrial codes of fair practice some million and a

half or two million or perhaps two and a half million have been put back to work through the coding process, labor has continually demanded that we go right to the core and the heart of the problem by reducing the number of hours in every coded industry so these millions could be reabsorbed and placed back at work. The trouble has been that the employers came here and voluntarily submitted codes, bargained with the Administration for the best possible terms, fixed the hours of labor as low as the Administrator and the Government would permit, and as a result just a small percentage of the workers have been reemployed. The time has come when bolder and more far-reaching measures must be taken. The gravity of the situation does not permit further delay or experimentation. The remedy lies with the Congress of the United States.

I do not want to give the impression that the codes have done nothing to bring about reemployment. The codes did bring about some reduction in the hours of work, especially as compared with the few months just preceding the adoption of the President's Reemployment Agreement, when hours had been very substantially increased and production speeded up, in anticipation of the regulation which industry foresaw under the codes. More than a million and a half people were put back to work during the period from July to October 1933 because of the decrease in hours of work brought about by the codes. This employment has been maintained throughout 1934, when the index of employment of the Bureau of Labor Statistics showed employment at 75 percent of the 1929 level. This is at the same time proof that the principle of shortening hours of work is the proper method to pursue in solving our problem of unemployment and that the National Industrial Recovery Program has not gone far enough in the use of this method. More than a fourth of the men and women on factory pay rolls in September 1929 had not yet been reemployed in September 1934.

A general survey of the hours provisions of the codes can lead only to the conclusion that that portion of the Recovery Act which provided for reemployment through a shortening of the work has not been fulfilled in actual code making. The 40-hour maximum work week seems to have been written into the majority of the codes. Exemptions of many groups of workers from hours regulations, together with loose averaging provisions, have made it possible to go far beyond 40 hours per week in a great many industries. Substantial increases in production can, under the codes, be taken care of without increase in the number of workers.

An example will show more clearly, perhaps, what I mean. The automobile code provides for a 40-hour week, averaged over a period of from 6 months to a year (depending upon the length of time the code is to run) with a possible 48 hours in any one week for production employees, and with no limitation whatever upon the weekly or daily hours of work of nonproduction employees and skilled workers. During the production season a majority of the employees might work 48 hours per week; nonproduction employees—and this group accounts for more than one-fourth of the total number of employees during the production season—may work 50 or 60 or 70 hours. Since the production season in the automobile industry is short, the hours of work can very easily be averaged out during the months when hours of work are reduced to 6 or 8 per week, or when the employees are laid off. These provisions have been written into the automobile

code, and into other codes, on the claim that there must be flexibility of hours of work to meet the problems of each particular industry.

Labor has been powerless, except to advise and urge and plead and beg. The final determination of the character of the code, the provisions that must be incorporated in the code, lie in the agreement between the Administrator and the employer. And the strange development that has taken place, a development that labor cannot understand, is this: Right in the face of almost a national calamity, a condition that is indeed grave, filled with the most serious social implications, the employers of labor will insist upon establishing the 40-hour week with all its exemptions in the industrial codes of fair practice. We just cannot understand that.

The reason why hours standards in codes have failed to give more employment is, as I have said, dominance of employer influence in code making. To overcome this domination Congress must act in the interest of all the people. If the employers will not do it, and they have had a year and a half in which there has been a wonderful opportunity to do it, but if the employers are unwilling, then what shall we do? Continue the army of unemployed, feed them, care for them? That to me is an intolerable situation. We must find work for them, and when we support this measure we are not begging for doles or for relief. We are begging for work for these millions of unemployed.

This need for flexibility was one of the major arguments against the 30-hour week 2 years ago; it continues to be a criticism leveled against the present measure. Among the arguments in favor of fixing maximum hours of work through the codes of fair competition, instead of by Federal law, was that the needs of each industry could be considered separately, and the desired flexibility could thus be achieved. The example I have just given you shows how flexibility in the hours of work fixed by the automobile code has been used to hamper, if not altogether prevent, the fulfillment of the progress of the recovery program.

An even more startling and clear-cut indication that the codes have failed to establish a shortened work week is to be found in the fact that in no month since August 1933 have the average hours actually worked been equal to the 40-hour week which has been generally established by the codes. With an average maximum work week of 40 hours provided by the code in October 1934 actual average hours of work were only 34 in manufacturing industry. For the first 11 months of 1934, the average actual hours of work in all industries were only 37.5 per week, according to the Bureau of Labor Statistics.

We are now asking for a work week reduced sufficiently to reemploy the men and women who have now been out of work for 4 or 5 years. Had the N. R. A. accomplished its primary purpose of solving the problem of unemployment, the American Federation of Labor would not today lend its support to a 30-hour bill. It is the failure of the N. R. A. to achieve any real gain in reemployment which makes imperative the 30-hour law.

Let me discuss very briefly the unemployment situation which we face today. In the first years of the depression, I made the statement before a Senate Committee that we must either reduce hours of work very considerably or maintain a large portion of our population as permanently unemployed. Our problem is now much more serious than it was when I made that statement before your committee. In

November 1934 the Federal Emergency Relief Administration reported that the number on our Government relief rolls had jumped to 19,000,000, representing more than 15 percent of the entire population of this country. This is an all-time high for relief. The amount reported by the Federal Emergency Relief Administration as spent in the month of November for these millions of dependent persons was over $172,600,000. Think of it! $172,600,000 in 1 month for relief! How long can we continue that policy?

You are considering a measure here in this session of Congress that appropriated $4,800,000,000 for public works for the purpose of putting men at work at public expense, which is commendable; but, gentlemen of the committee, where does the money come from? Where is it coming from? I prefer to make industry absorb these unemployed. The taxpayers of this Nation cannot continue to pay $172,600,000 a month for relief. And that is only a portion of it. In every State in the Union the State legislature is driven to desperation in an effort to impose various kinds of taxes, sales taxes, which make the poor devil that buys the loaf of bread contribute toward the support of the unemployed. And this tax problem is mounting higher and higher and higher in order to feed them, and industry comes and says: "No; we have no obligation to create work opportunities for these idle men."

Consider the situation with this taxing problem facing the people of the country, taxed by the Federal Government, the sales tax, the most vicious kind of tax. Out of the small amount for relief given to the unemployed man, he must contribute 3 percent or 2 percent or whatever the sales tax may be in order to help feed himself and his other unfortunate and distressed fellow workers. And we are face to face with a most serious problem, with $172,600,000 being expended every month. We can appropriate this vast sum of $4,800,000,000 and spend it, and when we do, unless we tackle this problem, not as timid souls, but as brave and courageous men, they will be back here asking for another five billion.

Industry owes an obligation to our social order. It is not a law unto itself. It is responsible to our Government and our civilizing processes. It is not just merely an instrument of the stockholders created for the purpose of earning dividends. It owes something to our social order. It is obligated to serve society, and if it will not do it voluntarily, then the Congress of the United States, the law-making body of the Nation, must compel and require industry to measure up to its responsibility.

Think of it! $172,000,000 in one month! When you and I were boys, Senators, not so long ago, we would have been shocked if the suggestion had been made that this Government would spend $172,000,000 for relief in a year. We cannot continue that situation. We are face to face today with a more serious situation than we were when you introduced your bill, Senator Black, 2 years ago. They talk of a sales tax, sending the distressed people back to local communities to be fed by communities that are impoverished and cannot feed them. If we think only of the economics of the situation, we will be greatly impressed, but when we think of the social implications involved we must truly become alarmed.

A year ago in the same month of November, there were on relief approximately 15,000,000 people, as compared with the 19,000,000 this year. Our problem grows and we cannot longer delay real efforts to solve it. Since the Federal Government began to bear the burden of relief due to unemployment, it has made available for relief more than two and a half billion dollars.

It is estimated that in November of last year there were 11,000,000 unemployed, dependent for support on Government funds, on private charity, or on their own slender resources. This number of unemployed represented more than 31 percent of the total number of wage earners and small-salaried workers in the United States. Almost one-third of our wage earners were being supported by those who were still at work.

The tragic effect of continued unemployment upon millions of our population must not be underestimated. Every year during which these men and women remain without work makes the problem of their ultimate adjustment to a normal life more difficult. During the past 4½ years a large portion of our population has been sinking further into hopelessness and despair. How much more serious shall we permit this problem to become before we take the necessary action?

The present 30-hour bill is the most feasible method of solving this problem. The 30-hour week, I emphasize, must not be looked upon as a mere share-the-work plan. As such it would fasten upon the worker the entire cost of the unemployment from which he is suffering, through no fault of his own. The reduction in hours of work can be effective only if earnings average are maintained at least at their present level. It is impossible to discuss the shorter working day without discussing both wages and the distribution of income. Wages have been beaten down to incredible levels during the depression. Code hearings provided a picture of our industrial system before which anyone who believed in what we have called American standards stood appalled. In one code, at least (laundry), minimum wage rates were set at 14 cents an hour in a very considerable portion of the country. The industry itself estimated that the 14-cent minimum wage rate would increase the operating pay roll in close to 50 percent of the plants affected. Think of that! The minimum wage set in one industrial code of fair practice at 14 cents per hour!

In the furniture industry it was estimated that a minimum wage rate of 30 cents per hour in the South and 34 cents in the North would increase the wages of 68 percent of all the employees in southern furniture factories, and of 57 percent of all employees in furniture factories in the North. Think of these low minimum wage rates—shockingly so—30 and 34 cents an hour, 30 cents in the South and 34 cents in the North, would increase the wages of 68 percent of southern employees and 58 percent of northern employees of furniture factories. What must have been the wages paid before these minimum rates were established?

Wages fell very much more rapidly during the depression than did employment. This is shown by a comparison of the decreases in the index numbers of employment and of pay rolls. In 1933 employment in manufacturing industry showed a drop of 34.3 percent, as compared with 1929, but for the same year pay rolls showed a drop of 55 percent. Not only did wages drop much more rapidly and much further than did pay rolls, due to the wage cuts, part-time employment, speed-up work, and so forth, but they have failed to recover in proportion to the increase in employment. In 1934, for example, employment in manufacturing industries was 25 percent below 1929, but pay rolls were still slightly over 43 percent below 1929. In certain industries the spread between unemployment and

pay rolls is even greater than in all of manufacturing. In iron and steel, for example, while employment showed a drop of only 33 percent as compared with 1929, pay rolls were 55 percent below the 1929 level; in textiles, 1934 figures show a drop of 13 percent in employment as compared with 1929, but pay rolls are 32 percent below that year.

I do not say that codes have not had the effect of raising the wages of the lowest-paid workers in many industries. Minimum wage rates have in a great many industries been substantially increased. In cotton textiles, in some of the garment industries, in canning, and in many other industries which I could name, in which wages had sunk very low, codes have pulled up the minimum. But it must be admitted, also, that the effect of the codes upon workers above the minimum has, on the whole, been highly undesirable. In a great many cases, workers in the higher brackets have had their earnings substantially reduced. Piece workers have not been protected under the codes, nor by collective bargaining provided by section 7 (a) of the National Industrial Recovery Act, and in a majority of industries the codes have failed to maintain weekly earnings when hours of work were reduced.

Yet the cost of living has increased under the codes, and profits, as I will show, have increased enormously. Certainly the fact that increases in employment and pay rolls under the codes have not kept pace with increases in production and prices indicates that output per worker is increasing and that the margin of profits is also increasing more rapidly than wages.

It is my firm belief that we have not yet realized the immense possibilities for well-being which lie in our productive system. It is one of the most efficient in the world. Let me contrast that with the inadequacy of our distribution of purchasing power, and with the condition in which we find ourselves now, as we enter the sixth year of depression. In a country with resources so great that we have only begun to use them, with a productive capacity of which we did not even dream a few years ago, the masses of our population not only are now, in depression, living in want and privation, but even in prosperous times, they are living in poverty. We have never had a standard of living high enough to be a source of pride. In the period from 1919 to 1929, when there was a general belief that everyone was prosperous, there were millions of families in destitution.

Millions of Americans were living in poverty in 1929, many of them even below the minimum subsistence level. Without raising a finger to prevent it, we have permitted the development of industry in this country to take precedence over every human interest, and to ruin the lives of millions of our workers. Industries use up in a few years the energies of their workers, and throw those workers on the street to starve or live on charity. The welfare of human beings should be the purpose of our economic system. If anyone challenges that statement, let him go to the city of Detroit and the State of Michigan, where they will find thousands thrown out of the factories just as you would displace a part of a machine, to be fed by the people of Michigan and the city of Detroit. That it is not, is all too clear from the opposition which the proposal we are discussing today meets from industry. I am not sure whether this is a repetition, Senator Black, of what you so convincingly expressed this morning; but if it is, it is worth repeating.

To indicate the need for a more equitable distribution of income, if we are to create mass purchasing power, I quote a statement recently made by the Brookings Institution.

In 1929, nearly 6,000,000 families, or more than 21 percent of the total, had incomes less than $1,000.

About 12,000,000 families, or more than 42 percent, had incomes less than $1,500.

Nearly 20,000,000 families, or 71 percent, had incomes less than $2,500.

Only a little over 2,000,000 families, or 8 percent, had incomes in excess of $5,000.

About 600,000 families, or 2.3 percent, had incomes in excess of $10,000.

Doesn't that present an impressive picture of failure to properly and adequately distribute our national income? If we take these figures into account, we readily understand why there is no market for the sale of manufactured goods. People cannot buy. Much of net income for a large percentage of the families of the Nation is far below the amount required to maintain a family in decency and comfort.

The aggregate income of the 6,000,000 families at the bottom of the scale, even when the negative incomes shown by some families are eliminated, amounted to 2½ billion dollars. In other words, about 21 percent of the families received only 4.5 percent of the income. The 11,653,000 families with incomes of less than $1,500 received a total of about $10,000,000,000. At the other extreme, the 35,000 families having incomes in excess of $75,000 possessed an aggregate income of 9⅘ billion dollars. Thus it appears that 0.1 percent of the families at the top received practically as such as 42 percent of the families at the bottom of the scale.

These figures, in other words, show that more than half of the families in this country received less than $2,000 per year in 1929, which is not adequate to fill modern needs of food, clothing, shelter, health, and education. A tremendous consuming power for the products of industry would be developed if these families received incomes with which to satisfy their needs. When we add to this consuming power that which will be exercised by our 11,000,000 unemployed when they have wages sufficient to keep their families in health and decency, the possibilities for industrial production come clearly before us.

In considering the stimulus to industry which will be derived from increased wage payments, we should note the savings which are set aside by the different income groups. In 1929, families receiving less than $2,000 were able to set aside virtually nothing in the form of savings. Eighty-seven percent of all savings were made by families receiving $4,600 per year and over who were able to save approximately 38 percent of their incomes.

Certainly, the most immediate stimulus to industry will come from that portion of our national income which goes to those families who are turning all of their receipts back into the consuming market. That portion of our national income that goes to families in the high-income brackets will, to a large degree, be turned back into investments in plant and equipment which will further exaggerate the disbalance existing today in our economic system.

It may be contended that when our national income declines, our wage bill must be drastically cut. We know, however, that increases

in national income result directly from increased wage disbursements. Between 1929 and 1932 our national income declined 40 percent, while wages declined 60 percent. The source of that bit of information is National Income, U. S. Department of Commerce. Such curtailment of wages resulted in a drop of 75 percent in the sales of automobiles and 38 percent in department-store sales. Reductions in wage payments have a cumulative effect upon the trade of our country which gradually stifles industrial activity. When there are not funds available for the purchase of absolute necessities, the market for automobiles and other products which are not absolutely essential suffers drastic curtailments.

Fortunately, we can now study the result of the increase in the workers' income which was realized between 1933 and 1934. Our best estimate is that workers' income increased approximately 19 percent in this period. Sales of automobiles increased 32 percent; department-store sales, approximately 13 percent; and mail-order-house sales, 25 percent. Just as soon as increased wages were put in the hands of the workers, there was an immediate demand for certain purchases which had to be denied in 1932. It should be noted that this increase in the workers' income of 19 percent was accompanied by a comparable increase in total national income.

Senator Austin. What is the period of which you are speaking?

Mr. Green. I am referring to one of the worst periods in our depression period, which was really between 1933 and 1934. There was a spurt there. Wages were increased, I think I said, 19 percent. Our best estimate is that the workers' income increased approximately 19 percent in that period. I am trying to point out that even in that terrible depression period, when there was a slight increase in purchasing power, that was immediately reflected in increased sales in department stores, automobiles, mail-order houses, and other places. The response was wonderful. It was like an electric spark. During the period of the C. W. A., only of temporary duration, it showed an increase in the sales of merchants, because the money distributed among the wage earners was quickly spent, and as a result the sales of goods increased in the most impressive way.

Is it not clear from this brief illustration that our industrial system will react immediately to the stimulus of greater buying power in the hands of the wage earners of this country, who represent approximately 80 percent of our total ability to consume; that is, 80 percent of the population of our country who will buy the products of industry just as soon as they have the necessary purchasing power?

Senator Neely (presiding). Mr. Green, there is a roll call in the Senate, and it is necessary to suspend. Will it be convenient for you to resume tomorrow morning at 10 or 10:30?

Mr. Green. Yes. I have a meeting of the executive council of the American Federation of Labor. I have presented the case of the American Federation of Labor with a great deal of care; and while I may flatter myself, it is, in my judgment, unanswerable.

Senator Neely. I think you are right.

Mr. Green. I should like very much to present it in my own way as well as I can.

Senator Neely. You shall have ample opportunity to do so.

The committee will suspend until 10 o'clock tomorrow morning.

(Whereupon, at 12:15 p. m., the committee adjourned until the following day, Friday, February 1, 1935 at 10 a. m.)

THIRTY-HOUR WORK WEEK

FRIDAY, FEBRUARY 1, 1935

United States Senate,
Subcommittee of the Committee on the Judiciary,
Washington, D. C.

The subcommittee met, pursuant to adjournment at 10:15 a. m., in the caucus room, 318 Senate Office Building, Senator M. M. Neely (chairman of subcommittee) presiding.

Present: Senators Neely (presiding), Hatch, McCarran, and Austin.

STATEMENT OF WILLIAM GREEN, PRESIDENT OF THE AMERICAN FEDERATION OF LABOR—Resumed

Senator Neely (presiding). You may proceed, Mr. Green.

Mr. Green. Mr. Chairman and members of the committee, I am very much pleased to come this morning and continue the presentation of the case of the American Federation of Labor, beginning at the point where I left off on yesterday. I should like to say to the committee that just now the executive council of the American Federation of Labor is meeting at our headquarters. It is a very important meeting, one of our extraordinarily important meetings; but the council is so deeply interested in the measure now being considered by your committee that it adjourned the session this morning for the purpose of permitting the members to come here and prove to you and your associates their very deep interest in this pending 6-hour day and 5-day week bill.

Upon the signing of the National Industrial Recovery Act on June 16, 1933, President Roosevelt appealed to the Nation to give full support to the program of reemployment through shorter hours and increased purchasing power through higher wages. He said:

> Throughout industry, the change from starvation wages and starvation employment to living wages and sustained employment can, in large part, be made by an industrial covenant to which all employers shall subscribe. It is greatly to their interest to do this because decent living widely spread among our 125,000,000 people eventually means the opening up to industry of the richest market which the world has known. It is the only way to utilize the so-called "excess capacity" of our industrial plants. And also:
>
> Finally, this law is a challenge to our whole people. There is no power in America that can force against the public will such action as we require. But there is no group in America that can withstand the force of an aroused public opinion. This great cooperation can succeed only if those who bravely go forward to restore jobs have aggressive public support and those who lag are made to feel the full weight of public disapproval.

Almost a year ago, on March 5, 1934, representatives of American industry met in Washington to review the record of the first months of the N. I. R. A. and to adopt policies for the future. In addressing

this gathering of three and one-half thousand leaders of organized industries, President Roosevelt said:

> We must remember that the bulk of the market for American industry is among the 90 percent of our people who live on wages and salaries and only 10 percent of that market is among people who live on profits alone. No one is opposed to sensible and reasonable profits—but the morality of the case is that a great segment of our people are in actual distress; and that as between profits first and humanity afterward we have no room for hesitation. With millions still unemployed the power of our people to purchase and use the products of industry is still greatly curtailed. It can be increased and sustained only by striving for the lowest schedule of prices on which higher wages and increasing employment can be maintained.
>
> Therefore, I give to industry today this challenge: It is the immediate task of industry to reemploy more people at purchasing wages and to do it now. Only thus can we continue recovery and restore the balance we seek. It is worth while keeping in the front of our heads the thought that the people in this country whose incomes are less than $2,000 a year buy more than two-thirds of all the goods sold here. It is logical that if the total amount that goes in wages to this group of human beings is steadily increased, merchants, employers, and investors will in the long run get more income from the increased volume of sales.

That is the language of the President about 1 year ago, and may I make the observation that on that occasion the President appealed to industrial leaders to reduce the number of hours worked per day voluntarily 10 percent, and to increase wages in a corresponding way? It was known as the 10-10 proposition—reduce hours 10 percent, increase wages 10 percent. You will recall that notwithstanding the sturdy, heart-touching appeal of the President to put human beings first and profits second, these indistrial leaders steeled themselves and said, "No", to the President of the United States. There was no reduction in the hours of labor and no increase in the pay of the workers, because the industrial leaders of the Nation positively and absolutely refused to respond to the urgent appeal of the President.

I refer to this matter, because it has been the attitude of the industrial leaders in opposition to the reduction of hours in the industrial codes of fair practice from the beginning. We will find them here before these hearings are over opposing this proposal to reduce the hours of labor for the purpose of spreading employment.

And again, as we learn from the press reports, the automobile industry has challenged the Government, flaunted labor, and through its influence finally succeeded in having imposed a code upon labor in this country, against which we solemnly protest, and which is highly objectionable.

The industrial code of fair practice applying to the automobile industry expired on three different occasions. Labor appealed to the National Recovery Administration at each time to hold a public hearing for the purpose of permitting labor to offer recommendations, and insisted upon further reductions of hours and increase of wages in the automobile industry, and the correction of abuses prevailing there; but the automobile manufacturers turned a deaf ear to that appeal, allowed the matter to drift until about 48 hours or perhaps 12 hours before the expiration date, and then served notice on the Government that the code must be continued without change, or no code at all.

Recently we advised the National Recovery Administration that, if that was to be the attitude of the automobile manufacturers, we would prefer no code at all, in preference to the continuation of the present code Now we find from the press reports this morning that that code has been imposed in a most objectionable form, because they have incorporated in the code the set-up of the Automobile Labor Board for the adjustment of industrial disputes, against which labor has protested.

Labor has served notice upon the Administration and upon the automobile manufacturers that we will have nothing whatever further to do with the Automobile Labor Board; that we will withdraw; that, so far as our relationship with it is concerned, it has terminated. We did that in an orderly way, because our attorney advised us that we had a moral and legal right to do so We did it. We exercised our right and, notwithstanding that, we find that this objectionable set-up has been incorporated in the extension of the industrial code of fair practice for the automobile industry. Labor protests against that. We shall continue to protest. Instead of that action contributing toward the development of cooperation and industrial peace in the automobile industry, it will further accelerate the condition of social unrest and industrial discontent which now prevails.

I have gone into that, Mr. Chairman and gentlemen of the committee, because I want to bring to your attention the efforts we have put forth from time to time to secure redress, to shorten the hours of labor under the National Recovery Administration, to bring about employment by spreading the word among more people through a reduction in the hours of labor, and we confess we have absolutely failed, because under the code of fair practice for the automobile industry, I am informed the workers are compelled and required to work almost unlimited hours, at the discretion of the automobile manufacturers.

I want to say to you that we protest against that automobile code. We will not accept it. We will not recognize it. We will not yield to it. We feel that very strongly.

Senator McCarran. Mr. Green, would you mind if I asked you a question at this time?

Mr. Green. Not at all. I shall be very glad to answer any questions.

Senator McCarran. It is a little off of your thought, but it comes to me by reason of having attended a session of the Committee on Appropriations yesterday afternoon. There is now pending before that committee a bill to appropriate $4,800,000,000 for so-called work relief. The thought that comes to me now came out of the first paragraph of the President's declaration. It was stated before the Committee on Appropriations that the highest wage that would be paid under that bill would be approximately $50 a month, and they propose to put 3,500,000 unemployed to work along that line. I do not want to take you off your trend of thought, but the idea strikes me that with the appropriation of $4,800,000,000 and the employment of 3½ million people, we are going to go a long way toward tearing down the wage structure of this country, if such a wage limit is fixed. Is that so? I would like to get your idea on that. Speaking as one member of this committee, it would seem to me that is not in keeping with the President's statement from which you read.

Mr. Green. I can readily see, Senator McCarran, that you are thinking just the same as we have been thinking about that proposition. We are indeed apprehensive. The statement that it was

intended to pay a wage approximating or averaging $50 a month caused us to be very much alarmed. We feel that, if that is to be done, instead of it being a benefit to the wage earners of the country, it is going to injure them, because it is going to operate to tear down wage standards that have been set up in private industry in the different localities of the country. It is an economic fact that the lowest wage standard established in any locality is the wage standard that as a rule is established in all lines of industry in that community. If this mighty Government proceeds to establish a lower rate for public work in the different communities of the country than prevails in private industry, it is going to reduce purchasing power, it is going to tear down wage standards, and that means that instead of helping the wage earners of the country it is going to injure them.

Of course, labor is protesting against that, and we are sending recommendations to the Committee on Appropriations which we hope will be accepted. We are insisting that in the expenditure of that money in the different localities, the prevailing rate of wages, particularly in the construction industry, provided for in the Bacon-Davis Act shall be maintained, and that the rate of pay established for other lines of work must be a rate of pay that corresponds with the prevailing rate of wages in the different communities. We wish to create and build up buying power, not tear it down. We do not want to see the expenditure of public funds used to reduce buying power, but we want to see it used scientifically and constructively in order to develop and build up the purchasing power of the masses of the people.

I am glad to make this answer to you in behalf of labor.

So long as the output per workers per hour continues to increase, we cannot realize full employment unless hours of work per wage earner are sufficiently curtailed to offset increasing productivity, or compensation per employee is sufficiently increased to develop an every-expanding market. So long as the wage percent of value added by manufacture continues to decline, we cannot expect to create that buying power upon which our industries must depend.

It has been estimated that productivity per workers has increased 71 percent since 1919. There has been an increase of 15 percent since 1929, according to Economic Tendencies in the United States, by F. C. Mills, and National Bureau Economic Research Bulletin, No. 53.

The increased output per worker may be traced to many factors, but without question, the three outstanding considerations are as follows:

The replacement of men by machines which may be expressed in terms of increased horsepower per worker.

Changes in production methods which permit of greater output per worker without changes in equipment or changes in the energy expended by an individual workman.

A greater expenditure of energy by individual workmen brought about through so-called "incentive systems", through the drive of economic necessity which has pervaded the hearts of all wage earners in this period of great uncertainty, and through other methods adopted by employers, which demand that every possible ounce of energy be expended in producing the greatest possible amount of goods during the working day.

There are certain sample illustrations available from different plants and industries which show to a degree the importance of these three elements in the increase in the productivity of each worker which has been effected, but it is only of the first of these elements that we have an accurate measurement. According to table 1 herewith submitted, horsepower per wage earner in the manufacturing industries increased approximately 50 percent between 1919 and 1929 with the result that an increase of 42 percent in physical volume of production was accompanied not by an increase in wage earners involved, but by a decline of 2 percent. During this period, the horsepower per wage earner increased constantly through 1919 to 1929 from 3.25 to 4.86.

Since 1921, wages have represented a constantly decreasing percentage of the total value added by manufacturers. From a figure of 44.7 in 1921, the ratio of wages to value added by manufacture fell to 36.1 in 1931, as shown in table 2, a decline of approximately 20 percent. During this same period, the total wage bill decreased from $8,200,000,000 to $7,186,000,000, or 12 percent, while the value of product fell from $43,653,000,000 to $41,038,000,000, a decrease of only 6 percent.

It may be contended that lower wage costs mean lower prices, greater markets, and a larger supply of goods for all. We are all familiar with individual cases where a constantly decreasing wage cost has meant a constant lowering of the total cost and a steadily increasing market for products of the individual industries. When in all manufacturing industry, we find that wages represent a steadily decreasing percentage of the value added by manufacture, the direct return to labor is reduced and it is difficult to see where a market for the product will be found.

A comparison of electric power production with industrial production in the period 1921 to 1934 shows that electric power production since 1921 is up approximately 125 percent while industrial production, as measured by the Federal Reserve Board, is only 7 percent higher than it stood in 1921. The latest index shows electric power to be within less than 10 percent of its high, while industrial production still lacks 35 percent of the 1929 peak.

The inference from these comparisons is that the use of electricity, when considered in relation to the volume of production, has been increasing steadily. Employment, man-hours, and production are down—labor's productivity and power production are up. The correlation is obvious. The upward trend in power production means an increase in machine-hours with a resulting improvement in productivity and the inevitable technological displacement.

Three startling increases in productivity per worker, per hour since the beginning of the depression are of fundamental significance. Some critics make light of this development, arguing that the increased productivity is a direct result of the necessity for the producer to survive at a minimum cost. Even if we assume that this depression increase in productivity meant no increased profits and was entirely the price of survival, it does not at all follow that the rate of productivity would diminish should recovery return in full measure. There has been little or no replacement of mechanical equipment during the depression years. While the progress of invention and

technological research has continued, the industry has not yet taken advantage of these new results.

In the glass industry we find, for example, that the ratio of wage costs to total value of glass products has fallen rapidly during the past 35 years. In 1889, almost half of the total value of the product or 48 percent went to wages. In 1933, the wage bill constituted only 23.5 percent of the total value of the product.

In 1929, there were 10,000 less wage earners in the glass industry than in 1919 and yet the 1929 production was considerably higher than 10 years before. This tendency was due primarily to technological changes. In 1919, the glass industry used equipment which was producing 207 millions horsepower and in 1929, the machinery utilized in the glass industry was increased 342 million horsepower. We see that during this decade, 135 million horsepower replaced exactly 10,000 workers, and that it required 13,500 machine horsepower to replace one worker during this decade.

In 1920 there were 9,100 glass blowers, a highly skilled group of workers who at the time received between $50 and $75 per week. By 1930 the number of glass blowers in the industry was reduced to 3,300, which means that, even before the industry was seriously affected by the depression, 5,800 highly skilled technicians were completely thrown out of employment. There has been undoubtedly further drastic reduction in the employment of this group.

Let us now consider the general development in this industry over the past 35 years. In 1933 production was 232 percent greater than in 1899. This output was produced, however, by a relatively smaller number of wage earners. Where it took 100 workers to produce 100 units of product in 1899, it required only 95 workers to produce 332 units of product in 1933. The total amount of wages paid to the workers was 65 percent greater than in 1933, while cost of materials was 273 percent greater and profits and overhead were 538 percent greater.

The wage earner in the glass industry has suffered especially from this development unfavorable to him during the past 10 years. Taking 1923–25 as the accepted base, we find a 30-percent decrease in the number of wage earners in 1933, and a 49-percent decrease in the total wages. This was accompanied by a varied marked increase in the machine horsepower and a decline of only 17 percent in profits and overhead.

A striking illustration of the displacement of workers through a technological improvement is furnished by the employment figures on the railroads of the United States as reported by the Interstate Commerce Commission. One million workers have been displaced from employment on railroads between 1920 and 1934. It is especially significant that a large portion of these workers was displaced during the period of growing business activity. Between 1920 and 1929, 382,000 railroad workers lost their jobs. Within a short space of 6 years, between 1923 and 1929, 210,000 workers were rendered jobless. The unemployment on railroads during that period was due entirely to the technical equipment put into use in order to increase mechanical productivity of the railroad system.

In September 1933, the Social Science Research Council published a Railway Labor Survey in which they state that between 1923 and 1929 approximately $3,300,000,000 was invested in equipment

by the railways and $7,250,000,000 in roadway and structures. Constant improvement in equipment was said to be responsible for their ability to handle 16 percent more gross ton-miles of freight and passenger traffic in 1929 than in 1923, with 11 percent smaller labor force working 9 percent fewer hours. This increased the productivity of the labor force by 21 percent during these years.

We now stand at the threshold of a new era in railroad transportation. Diesel-engine stream-lined trains are already streaking across the continent at unprecedented speed. Entire systems previously equipped with steam-engine trains are now undergoing electrification. In the face of these facts, we can find no other alternative to a drastic shortening of hours of work on railroads unless we are willing to accept the impending further increase in railroad unemployment without preparation.

It is proposed to abolish terminals, to consolidate division points, and so further reduce the number of workers. When is it going to stop? Where is it going to end? What are we going to do? In all fairness to these millions of workers displaced on the railroads, who have no hope of ever returning to their jobs, notwithstanding that every one of them is a railroad man and equipped to work as a railroad man, may I ask what is going to happen to them? They have attempted to find jobs elsewhere, of course, in a labor market where unemployment has reached its maximum point, endeavoring to secure work that other idle workers are trying to obtain. Isn't that a terrible social situation, filled with serious social implications? It is forcing more workers displaced in the great transportation industry of our country into an already overcrowded market where they compete with millions of other idle workers for the opportunity to earn a living. And yet we whine and complain about reducing hours, trying to find work for these millions of men.

Senator NEELY (presiding). Mr. Green, what is the proportion of the million who lost their jobs in 1920 to the total number of workers employed on the railroads in that year? Do you happen to have that information?

Mr. GREEN. I am just advised by my friend, who is well acquainted with the railroad situation, that there were 2,070,000 employed on the railroads in 1920. That means approximately a 50-percent reduction. That to me is shocking. I don't know whether it impresses you that way, but it to me is a shocking development of technological improvement. It seems to me that it is so shocking as to impress upon our minds the necessity for immediately doing something to create work opportunities for these dismissed workers.

Senator NEELY. It seems to the chairman of this subcommittee that any development that robs approximately 50 percent of the toilers in a great industry of their jobs is shocking beyond expression.

Mr. GREEN. That is just the way I feel.

I have referred briefly to certain major developments in industry which make the 30-hour week necessary for the protection of the workers—the invasion of the mechanical slave. The rapidly increasing displacement of men by machines not only deprives the wage earners of this country of their livelihood, but deprives our industries of their market.

Previous references have established the rapid growth of electrical power in industry and the illustration from the glass industry shows

a specific example of what such application of power means to those wage earners who formerly were attached to the industry and who had acquired a degree of skill upon which the industry was dependent prior to the application of power and cretain technological developments.

May I cite a few additional examples of this general development which have been reported in different issues of the Monthly Labor Review of the United States Department of Labor.

In the tobacco industry as a whole, production per worker increased 191 percent between 1899 and 1925, while volume of production increased 168.7 percent with 7.7 percent fewer persons employed.

The percentage of coal cut by machine in 1929, for the industry as a whole, was 75.4 as against 50.7 in 1913 and 73.8 in 1928.

A brickmaking machine can make 49,000 bricks per hour and has a potential labor displacement of 80 percent.

The productive output of railroad labor has increased about 40 percent since 1915 and about 150 percent since 1890.

In the Taylor Society Bulletin for February 1928 a report on the steel industry states that—

Two men replace 14 in charging furnaces; 1 man replaces 42 in open-hearth operations; and 2 men replace 128 in loading pig iron.

A power machine used in the manufacture of men's clothing operated by not more than 2 persons displaces 200 skilled clothing cutters.

In 1934, the number of persons employed in all capacities in American industry averaged about 39,500,000. The 30-hour proposal will cover, in whole or in part, industries employing about 19,000,000 wage and salaried workers in 1934, including manufacturing, mining, railroads, building construction, utilities, trade, and certain of the service industries. Those not included number about 20,500,000, including agriculture, professional and management groups, government employees, domestic servants, and water transportation.

In 1934, while 39,500,000 persons were at work, about 11,100,000 were unemployed. The 19,000,000 at work in the industries covered by the 30-hour proposal worked an average week of 37.5 hours. That is, on the average 700,000,000 man-hours of work per week were needed in 1934 to turn out the products and services which the American people produced at the 1934 level of business activity.

Dividing these 700,000,000 man-hours of work into 30-hour weeks, there would theoretically be jobs for approximately 4,800,000 persons. When, however, incomplete coverage is allowed for in certain industries, the total new jobs created at the level of activity will probably be slightly over 3,200,000. When we consider that through reducing hours of work by 5 per week between July and October 1933 1,800,000 workers were given jobs, it does not seem inconsistent to assume that a reduction amounting to nearly 7½ hours a week, at the present time, could create jobs for 3,200,000.

It is not enough, however, to picture reemployment at the 1934 level of industrial activity for the 30-hour week without reduction in pay will immediately produce an enormous increase in demand for industrial products, and this demand with its cumulative effect over a period of time will lift production to levels never before possible.

These new demands upon our producing and service industries will create more jobs and finally reemploy the rest of the 11,000,000 now without work.

That there will be a serious shortage of labor under the 30-hour week seems unlikely, for two reasons. That point has been raised by our opponents. The first objection is that it will increase the cost of manufactured goods and thus limit the market for the sale of manufactured goods, and, second, that it will create a shortage of labor. We contend that is unlikely for two reasons:

First, our working population is increasing at the rate of more than 400,000 a year, so that by the time the present unemployed have been reabsorbed into industry there will be from 400,000 to a million or more in addition to be put to work; second, with the steady more-sweeping labor-saving devices, typified by such mechanisms as the recently invented teletype, electric eye, cotton picker, and robots of various kinds which are taking over machine control, the work time needed to supply the Nation needs will be reduced in the future at a rate just as rapid as in the past, if not more rapid. The 30-hour week will in itself stimulate employers to increase efficiency. As we make a man-hour of work more valuable by shortening hours without reducing pay, machines will be invented to increase still further the amount of work that hour will accomplish.

There does not seem to be any sound basis for that opposition. The facts are that the 30-hour week will bring into the consuming market millions of buying units. They will buy more. There is no possibility of a shortage of labor. It is not within the realm of possibilities, because our population is so steadily increasing and our efficiency seems to be so inexhaustible that it will be impossible for us to reach a point where there will be a shortage of labor.

Senator NEELY (presiding). Mr. Green, is it not a fact that in every year since the close of the World War there has been a superfluity of labor in this country, and that at no time since the end of the war has the total number of unemployed fallen below about 3,000,000?

Mr. GREEN. I think that figure is correct. We have had a constant unemployment problem since the termination of the war.

Let me give you an illustration of experience under the 30-hour week.

Since December 1, 1930, the Kellogg Co. has operated its plant at Battle Creek on a 30-hour week. The plant runs continuously 6 days a week in summer and 5 days in winter. In making the transition from the 8-hour shift to a 6-hour, the management considered carefully four points; production planning, personnel adjustment, control of overtime, and wage adjustment.

Under the 8-hour shift, minimum wages were 50 cents an hour or $4 a day. The $4 a day minimum was maintained for the 6-hour day, which carried a 25-percent decrease in hours. The earnings of those above the minimum would have dropped automatically 25 percent on an hourly basis. The company granted a 12½-percent hourly increase to all workers. At the end of 1 year, it gave an additional 12½-percent increase to all women workers.

Reporting on 2½ years' experience under the 6-hour day, the company listed the following results: Decrease in fatigue; 20 percent decrease in time lost through sickness; 32 percent decrease in the number of lost-time accidents, with a 38-percent drop in accident severity. These improvements brought a gain in efficiency and production. This increased efficiency resulted in a 15-percent decrease in direct labor cost per unit.

The company reports a 13 percent lowered burden of cost under the 6-hour day. This is the more remarkable in view of the fact that burden or overhead represents two and a half times the cost of direct labor. Increased efficiency produced more units per dollar of overhead under the 6-hour shift than under the 8-hour. As a result, the Kellogg Co. sold Corn Flakes 10 percent under its lowest previous figure, while paying wages 10 to 15 percent higher than previous levels.

As a final point, after 2½ years' test during depression years, in May 1933, there were 27 percent more employees in the plant than in May 1929.

This remarkable record shows that the 6-hour day and 30-hour week are not only practical but are highly efficient.

Senator McCARRAN. Does that plant run 24 hours per day?

Mr. GREEN. It runs from three to four shifts. I am not sure how the hours are alternated, but as a result of that shortening of the work week the number of employees has been increased and I presume, Senator McCarran, that it means they have increased the number of shifts; that instead of 1 or 2 shifts, they are working 3 or 4. That is one of the important points to be considered in connection with this measure, that where industry finds the business has increased they can work these extra shifts at 6 hours per day by employing additional workers.

Senator McCARRAN. That is a method by which additional employment might be afforded.

Mr. GREEN. Oh, yes.

One of the arguments most strongly pressed against the proposal is based on the assumption that a 30-hour week with maintained wages would limit production and thus check rather than spur economic recovery. This assumption evidently takes out of consideration the fact that the share of wages in the value of the product has shown tremendous decreases due to the widespread introduction of the machine processes. The latest estimate for 1933 shows the share of wages in total value of the product to be 16.7 percent. This portion of value produced has been substantially maintained since 1919, but the 1933 figure covering 70 percent of value of all manufacturing products includes a considerable part of the time when N. R. A. was in operation and is especially useful to us for that reason.

If only 16.7 percent of the total value produced goes to wages, it is evident that a 20-percent increase in the country's industry's wage bill would result in only a 3.3-percent increase in the price of the manufactured product. Thus, on the average, the incentive to greater production in the form of increased purchasing power is more than six times as great as the deterrent—the 3.3-percent increase in price. This generalized illustration suggests the broad implications of the problem as it exists in every modern machine industry today.

In practice, this relatively small deterrent is apt to be even smaller for much of it will be absorbed by the reduction in the per unit cost of output which is inevitable when the volume of production increasess

Let us briefly review the relationship between the various factors in production during the pre-depression years. Between 1923 and 1929, the trend in the selling price of manufactured commodities in dollars of constant purchasing power has shown a decline of 4.1 percent. During the same period, the material cost has been reduced by 7.2

percent and the labor cost by 9.5 percent. In the face of these downward tendencies, we find that fabricating costs and profits rose 2.1 percent and overhead costs and profits rose by 10.6 percent. It is significant that while labor cost decreased by almost 10 percent over the 6-year period, overhead and profits increased over 10 percent in the face of declining prices.

The fact of outstanding importance is that per unit cost of production in manufacturing generally shows a sharp decline when production volume increases.

Here is a cross section of estimated profit per unit of products sold in 1,931 corporations in 45 manufacturing industries in the United States:

1922	100.0	1926	113.3
1923	103.8	1927	87.2
1924	93.4	1928	105.3
1925	112.7	1929	120.5

Here we see the effect of two recessions in production in 1924 and 1927 upon the profit per unit of product with the sharp resumption of production between 1927 and 1929. During the latter priod the profit per unit of products sold increased by about 33 percent at a time when the prices were falling.

We have seen that the per-unit cost of production in modern industry shows a sharp decline when production increases. There is evidence to show that this decline falls more heavily upon the worker than upon any other production factor. In 1933 there has been a tremendous increase in production activity during the months immediately preceding the N. R. A. and subsequent to the adoption of codes. The average selling price of the product was 12 percent lower in 1933 than in 1931. The total cost of fabrication declined 10 percent in 1933, while the average labor cost declined 15 percent. At the same time the average overhead costs, plus profits, were reduced by only 6 percent.

Preliminary estimates show that over a 6-year period from 1927 to 1933, the discrepancy between labor costs and other costs of fabrication has been even greater. Per unit of manufactured product the average labor costs declined 32 percent while average overhead, plus profits, declined only 18 percent. We see that during this period the 24-percent reduction in the average cost of fabrication was carried out largely at the expense of the worker in spite of the fact that labor cost constitutes relatively a small portion of the total cost of per-unit production.

Another objection against our proposal is raised to the effect that for labor to ask management for an equitable share in the returns of recovery at this time would be suicidal because of the absence of any perceptible profits made by the manufacturers during the past year.

According to the report of the Federal Reserve Bank of New York, published in December 1934, 290 industrial and mercantile concerns reported the following net profits for the first 9 months of each year:

1932	$100,000
1933	202,800,000
1934	430,500,000

This shows a staggering increase for 1933 over 1932, and an increase of 112 percent for 1934 over 1933.

I looked at those figures a moment, because they seemed so staggering. In 1934 this shows $430,500,000 of net profit, and yet we are going out into the States imposing these vicious sales taxes upon our people. When will the point of endurance be reached? If these facts be widely disseminated, the social unrest will be intensified in every section of the country, where our workers are suffering the pangs of distress caused by continued unemployment. Think of it, a jump in profits of 112 percent in 1934 over 1933.

Standard Statistics gives the following figures for profits of 418 industrial corporations:

1932	$49, 000, 000
1933	605, 000, 000
1934	911, 000, 000

These figures show an increase of over 1,000 percent for 1933 over 1932, and a further increase of 50 percent for 1934 over 1933.

Talk about costs. How can these men who participate in these profits come here and oppose a measure designed to relieve human distress, because they say it will cost too much?

Similarly, the National City Bank, reporting on 190 industrial concerns for the first 9 months of each year, gives net profits of $182,000,000 for 1933 and $320,000,000 for 1934, showing an increase of 76 percent for 1934 over the preceding year.

This ability to pay is further reflected in the increased volume of dividends in 1934. Two hundred and six million sixty-nine thousand dollars were paid out in dividends in that year as against $181,483,000. In the light of the fact that volume of insolvencies has declined by 40 percent since 1929 and by 70 percent since 1932, we may safely say that the industry is in a better position to accept this proposal for balanced recovery than at any other time during this depression.

In a large number of companies the financial showing in 1934 proved to be the best in several years, giving a promise of continued sharply increased profits in 1935.

Let me give a few examples. The automobile industry has given us a notable record of improved return on investment.

Senator AUSTIN. May I interrupt to ask a question?

Mr. GREEN. Yes.

Senator AUSTIN. Are those operating profits or net profits?

Mr. GREEN. They are operating profits, as I understand it from these figures. Here is one for you, Senator, an operating profit:

The General Motors Corporation, the largest producer of automobiles in the world, reports a net of $94,769,000 in 1934 against $83,213,000 in 1933. The sales of cars and trucks by this corporation were 1,240,447, the largest since 1929. General Motors sold more than twice the number of cars and trucks in 1934 than in 1932. Working capital of the corporation in 1934 showed an increase of $31,700,000 over the previous year and was only $20,000,000 short of the 1929 record. An equally remarkable record is furnished by parts manufacturers whose financial position is continuing to improve.

A similar development is noted in the chemical group. The E. I. du Pont de Nemours & Co., the largest chemical concern in the country has given us a reflection of its improved financial position in the increased earnings per share of stock. The $3.66 per share of the common stock compares with $3 per share in 1933 and with $1.82 in 1932. The du Pont common stock thus gives us the best showing since 1931. Its regular common dividend was increased from $2 to $2.60 annual basis in June, and in addition extras were distributed of 50 cents a share in September and 15 cents a share in December. In addition to increased earnings and regular dividends and the payment of extra dividends, the company engaged in a considerable property development amounting to several million dollars.

A remarkable record is shown by the farm equipment concerns, with the Caterpillar Tractor Co. reporting its net income to be the largest since 1930 and 12 times larger than in 1933. In addition to that the company was able to redeem $5,000,000 of its notes issued in 1930. By November 1934 the company doubled its dividend rate distributing at the same time an extra dividend of 50 cents a share.

The accompanying tabulation (table III) reflected to some extent the inequitable share of the depression cost that labor has had to bear. An analysis of income figures shows that a much greater share of income from dividends goes to the group earning more than $5,000 per year. Figures show that the percent of income from dividends going to the high-income group ranges from 60 to 70 percent. In 1932 income from wages in selected industries amounted to about 40 percent of 1929, while property income was 70 percent, according to a study by Dr. Simon Kuzaetz. The much smaller decline in property income, the bulk of which is received by the wealthy class, substantiates the assertion that labor suffered most. Also, of course, the decline in living standards and general welfare which result from contractions in income are most severely felt by the low-income group. Thus, even if there were no discrepancy in proportionate declines, labor still would bear the heaviest burden.

Quite apart from a consideration of fair and equitable sharing of profits between labor and capital, this disparity suggests the existence of a serious obstacle in the way of general business recovery.

The high-income group constitutes a static market for consumable goods. Presumably their needs do not contract or expand and they are able in times of depression, as well as prosperity, to satisfy them. Any fluctuation in their income would be reflected in their savings, which become investment funds.

On the other hand, the low income, or laboring class, becomes, with reductions in income, unable to purchase sufficient goods for even ordinary needs. In each of the 5 years of curtailed income, the common needs of this class for clothing, household appliances, etc., have become cumulately more acute. The market among this group is at present an extremely important potential factor.

If dividends were made secondary, as they properly should be, and labor were given, by means of higher wages, first place in the distribution of profits, this potential market would become actual. Very much increased profits would logically ensue and distribution in the form of dividends would be both warranted and constructive. It is only when purchasing power exists to absorb production that investment funds can be utilized profitably.

That is not a bad showing, and yet we find the representatives of General Motors here challenging the Government, serving an ultimatum on the Government and labor to either renew this objectionable code in its present form or no code at all. And after the peak season is over and these noble men and women recruited from the

North, the South, the East, and the West, serving in this automobile industry, are cast aside just as you would a machine that had completepletely served its purpose, the city of Detroit and the State of Michigan and the different communities of the land must feed these hungry people who have served during the peak season and are now discarded human units. Is there no obligation on the part of these corporations to meet this situation by reducing the hours, by creating work opportunities, by absorbing these people?

The most frequent argument against the 30-hour week reduces itself to the statement that reduced hours with maintained weekly earnings will increase prices to the extent which will restrict production. Conclusive evidence has been presented to show that wages constitute only a small fraction in the cost of production. A host of other items which make up the cost of production have far outweighed the importance of wages in this total cost. Interest and long-term debt, depreciation of plant, overhead cost, rent and taxes comprise the largest share of the cost of production reflected in the final value of the product. An important item in this group is the cost of raw materials.

The price argument against the 30-hour week disregards completely the monetary phase of the problem. In concentrating their attack on the part played by wages in the price structure, they show utter disregard for such a basic element in recovery as credit. The impairment of credit resulting from the fall of prices has played a tremendous part in bringing about and prolonging the depression. The trend in the volume of insolvencies gives us a reliable picture of the stability of credit during the recent years.

I submit a table here in an attempt to show that as the recession takes place, credit also recedes; and as it expands a little, credit expands. It is true that under the Recovery Act where additional workers were employed and the volume of production increased, credit expanded and was made more easily available.

TABLE I.—*Index of insolvencies in the United States (1932=100)*

[Source: Dunn & Bradstreet's]

1928	52.7	1933	54.2
1929	52.0	1934:	
1930	72.0	First quarter	34.3
1931	80.0	Second quarter	31.1
1932	100.0		

Insolvencies in the United States are at the level which is more than two-thirds below the level of 1932 and only 39 percent of 1931. We may compare this with the course of insolvencies in other countries. In Sweden and Italy, insolvencies have declined by only 15 percent since 1931. In Great Britain, they declined by only 10 percent, while in France, they rose by 37 percent, in Netherlands, by 43 percent and in Belgium by 51 percent. We see that the United States is financially far more solvent than any other important industrial country.

The cost structure of our economic organization contains such a large number of rigid items that the producer tends to achieve price reductions mainly but cutting wages and salaries. The same procedure is often adopted for another purpose, namely, to sustain the profits during a period of reduced business activity without price

reductions. In such industries as iron and steel, cement, aluminum and some others, drastic reductions in wages have been accompanied by an unchanged price level. We are now suffering from the effects of these industrial policies. Slashing of wages has brought about a reduction in the monetary income of the community and this in turn decreased demand for goods at current prices.

Equilibrium which the economists attacking the 30-hour week seek to achieve is an equilibrium on a false basis. It is an equilibrium which is attained at the price of a drastically reduced standard of living. As Neville Chamberlain said at the World Economic Conference in 1933—

> An attempt to obtain equilibrium by further large reductions of costs would be attended by intolerable suffering and holds out no hope of success.

Modern methods of production call for ever-increasing ratio of plant and equipment, for ever-growing division of labor, for greater mass output. Machinery and technical equipment introduced as a result of this development must be maintained at cost levels which are inflexible. The producer cannot cut the wages of a machine when production decreases, nor does he have to increase the amount of money paid out for the maintenance of a machine when the machine produces more as a result of increased business activity. This is why increased output means larger financial return to the producer from every unit of mechanical equipment that he owns. Machine hours are largely paid for at the same rate whether or not the machinery stands idle. Man-hours on the other hand are paid for not only when the wage-earner is at work. When the worker is idle, it is he and not the producer that must bear the cost of depreciation and maintenance necessary to keep him alive.

The 11 million unemployed bear witness to the formidable disequilibrium which must be corrected. The growing distress must not go unrelieved and relief must not come from such sources as Government dole. Means must be sought to attain a new and higher equilibrium, an equilibrium productive of greater wealth which should provide the consuming masses with an improved standard of living.

Production is not governed by the economics of use, as it should be, but by the economics of profits. For this reason we have never yet permitted production to equal our productive capacity. Production is kept down to the level of profitable selling, fixed by the distribution of income. We say we have an "overproduction" when we have an excess of a commodity over the amount which can be disposed of at a sufficiently profitable price. We have actually never dared to produce as much as we could produce, for fear of producing more than would sell at a profit. And the amount that will sell depends directly upon the consuming power of the public. We have fallen into the great error of thinking of our actual production as our producing capacity. The argument against the 30-hour week which confuses our production in 1929 with out producing power or capacity, merely confuses two things which are by no means identical.

In a mass-production country like our own, where consuming power lies primarily in the hands of the workers, it would seem unnecessary to argue for the maintenance of mass purchasing power, if production itself is to be maintained. We have apparently overlooked the fact that production should be directed to supplying the goods and services

required for satisfying the needs of the people as fully as our productive powers permit; at the same time we have overlooked the fact that those needs will be satisfied if there is purchasing power. The 30-hour week will, in itself, be a means of the redistribution of income which is so much needed. It will mean a change in the bargaining relationship of employer and employees which is essential.

When there are great numbers of unemployed, the bargaining power of labor cannot be maintained, and wages are cut to pitifully low levels. Wage scale can be maintained, and the workers' standards of living protected only by a shortened week which will greatly reduce the number of unemployed bidding for jobs. Unemployment is an advantage to the employer. It keeps the wage earner in a weak bargaining position. Probably at no time in the history of our country, except during the war, have we had little or no unemployment. That condition put the worker in a strong bargaining position where he could secure higher wages and better working conditions than he has ever been able to secure since, in the face of the constantly increasing unemployment. Full employment with adequate wages would mean a better distribution of goods and services; it would mean the ability of the workers to buy the things they produce; it would open broad markets.

Another beneficial effect which would result from the 30-hour week would be a greater stabilization of employment than has been achieved under the codes. Industries have assumed that severe fluctuations in production and, therefore, in employment are an inherent part of their very nature, and they have made no effort to use a limitation of the hours of work to cure this evil. Yet we have seen that it is entirely possible for industries to bring about a very important degree of stabilization, if they see fit to try. The men's clothing industry, for example, which a few years ago was one of the most unstable industries known, has to a considerable extent stabilized employment through collective bargaining relationships with the union of its employees; a number of canning companies have shown what can be done even in that most unstable and fluctuating industry, through such devices as a diversification of product, or increasing demand for goods during the off-season, by campaigns of advertising; other industries or portions of industries have brought about stabilization by manufacturing for stock during dull periods and by staggering products throughout the year.

I am of the firm belief that reasonable stabilization of employment is possible in most of our industries, when incentive is made great enough to call forth the organizing genius which we know to exist in our business men and engineers. That incentive would in large measure be furnished by a compulsory 30-hour week. It has not been called forth by the codes, which have been far too loosely drawn to make any significant impact upon established practices.

The automobile industry has always been one of the most unstable of the country. When its code was adopted, the obligation was laid upon the industry to study the problem and make recommendations for stabilization of employment. A superficial report was made in December 1933; it has been for more than a year in the National Recovery Administration, but no efforts have been made to carry the study further or to make effective the inadequate recommendations of the industry. In 1934, the fluctuation in employment in this industry was greater than it has been at any time since 1923. The code had meant nothing in the spread of employment and purchasing power, the two primary purposes of the entire recovery program. So obviously had the code failed, indeed, that the President ordered a governmental investigation of the industry, in an attempt to bring about the stabilization which the industry itself has made no effort to achieve.

I mention the automobile industry because it is one of those industries which has cooperated least with the recovery program, and which has accomplished least through its code, and in which the 30-hour week would be the most beneficial, not only to the employees directly concerned, but also to the public which is forced, through a great portion of the year, to support the workers whom the industry itself does not support.

A Federal law fixing hours for all industries, in all parts of the country, will have a tremendous advantage over the limitation of hours through codes of fair competition. A Federal law will put all of industry on an equal basis. Codes have created problems of competition between industries, or between different portions of the same industry, which have reacted most unfavorably upon both the industries and the workers concerned, and which have meant in a number of cases the shift of work from one portion of an industry to another, where labor conditions are less favorable. A Federal law fixing hours of work would to a very considerable extent equalize competition between portions of an industry, or even between industries.

We have had one example of regulation of hours of work by Federal statute, in the Adamson 8-hour law, adopted for the railways in 1916. We might well take the Adamson law as proof that the regulation of hours on a Federal basis, by Federal statute, is entirely feasible and desirable.

Gentlemen of the committee, I am submitting a comprehensive case because, as I look to the immediate future, I can see the opponents of this act coming here and telling you that this factor or the other factor making the adoption and application of the 30-hour work week impracticable. I should like, when that objection is presented, for you to refresh your memories by referring to the data that I am submitting, because they cannot be challenged. They have been selected with unusual care, have been analyzed and verified as to their accuracy, and I have endeavored in the presentation of this case to anticipate the opposition and to meet the arguments of the opponents of this measure.

Perhaps you can remember, as I remember, the experience through which we passed when labor in the United States mobilized its strength and influence in support of the enactment of the 8-hour law for the railroad workers of the Nation. In this room, in the council chambers, in the halls of Congress, the representatives of the railroads opposed the enactment of the Adamson law. They sought and secured the support of the employing industry of the Nation. They predicted disaster and ruin if the Adamson law was adopted. Great God, in the light of past experience, what would have happened to the railroad workers of the Nation if the Adamson law had not been passed in 1917? It did offer a measure of relief, but even under the operation of that law the amazing fact stands out like a sore thumb that almost 50 percent of the railroad workers of the Nation have been forced to join the army of the unemployed.

The opposition to this bill will come here and offer the same arguments in opposition to its enactment into law as these men offered in opposition to the enactment of the Adamson 8-hour law for the railroad workers of the Nation. If that argument fell flat then, it falls equally flat now. If it had no virtue then, it has no virtue now. It made no impression on Congress then, and that argument should make no impression on Congress now.

You are confronted with the social and economic fact that there are 11,000,000 workers who are unemployed, 19,000,000 people who are being fed at the hand of our Government, the morale of our people destroyed, their outlook blurred and dimmed, their vision not as it was when they were working. All these facts must be taken into consideration.

So I leave the subject with you. I have presented to you the case of labor. I have done it in an earnest way, because I am deeply moved. I came before the committee 2 years ago and advised the committee that we must make our choice, that America must choose; that we must either be prepared to maintain a permanent army of unemployed, feeding them by the Government out of taxes collected from the people, or we must distribute the amount of work available among all of them, reabsorb them in industry by creating work opportunities. Which choice must we make now?

Two years or a little better have passed, and we have learned much. Experience is a most wise teacher. The standing army is there, a social menace, a great social implication. And as we ponder and think the rising tide of discontent is springing up in the industrial centers of this Nation, because it is not inbred in the American worker to stand idly by and starve or be fed by his Government. The time has come to approach the matter in a grave and courageous way and wipe aside the argument of the opposition to this measure; to present the facts and ask them: "If you oppose this, what do you offer instead?" If they say we must wait for conditions to improve and must depend upon this false basis or the other, and must allow economic forces to have full play in order to bring us back, tell them that those same forces have been in operation for, lo, these 6 years, and we are still standing where we are, worse today than we were in 1931.

What more can I say? I have pesented these facts. I have tried to cover every anticipated objection that will be offered to the adoption of this 30-hour bill. I do hope and trust and believe that your committee will recommend this bill, that the Congress of the United States will enact it.

Something must be done for these unemployed, and I trust this Congress is keenly alive to the situation. I appeal to you gentlemen in behalf of the millions of workers of America to enact this 30-hour bill into law.

I submit the following tables for your information.

Senator NEELY. They will be inserted in the record as a part of your statement.

(The tables referred to are as follows:)

TABLE I.—*Rated horsepower capacity in manufacturing and factory production*

[Index numbers, 1919=100]

Year	Wage earners	Total horsepower	Horsepower per wage earner	Wage earners	Factory production (Federal Reserve Board)	Horsepower	Horsepower per wage earner
1919	8,998,000	29,209,000	3.25	100.0	100.0	100.0	100.0
1923	8,777,000	33,092,000	3.77	97.5	120.2	113.3	116.0
1925	8,390,000	35,807,000	4.27	93.2	125.0	122.6	131.4
1927	8,350,000	38,826,000	4.65	92.8	126.2	132.9	143.1
1929	8,831,000	42,918,000	4.86	98.1	141.7	146.9	149.5

Source: Mechanization in Industry, Harry Jerome, p. 217. (Factory production index from Federal Reserve Board.)

TABLE II.—*All manufacturing industries—ratio of wages to value added by manufacturing*

[Compiled by American Federation of Labor, Research Staff]

Year	Wages	Value of products	Value added by manufacture	Ratio of wages to value added by manufacture [1]
1914	$4,067,000,000	$23,988,000,000	$9,708,000,000	41.9
1919	10,460,000,000	62,042,000,000	24,803,000,000	42.2
1921	8,200,000,000	43,653,000,000	18,327,000,000	44.7
1923	11,008,000,000	60,556,000,000	25,846,000,000	42.6
1925	10,727,000,000	62,714,000,000	26,771,000,000	40.1
1927	10,849,000,000	62,718,000,000	27,585,000,000	39.3
1929	11,620,000,000	69,961,000,000	31,885,000,000	36.2
1931	7,186,000,000	41,038,000,000	19,867,000,000	36.1

Source: Census of Manufactures.

TABLE III.—*Comparison of profits, dividends, and pay rolls*

	Corporation profits [1]	Dividend payments [2]	Factory pay rolls [3]		Corporation profits [1]	Dividend payments [2]	Factory pay rolls [3]
1928	100.0	100.0	100	1924—Continued			
1929	111.7	125.6	107	April			65
1930	78.6	137.0	87	May	49.2		65
1931	50.1	116.8	66	June			63
1932	26.2	76.7	45	July			58
1933	38.6	64.3	47	August			60
1934:				September			56
January			52	October			59
February	42.6		59	November		[4] 71.8	58
March			63	December			

[1] Compiled by the Federal Reserve Bank of New York as reported in Survey of Current Business.
[2] New York Times aggregate of dividend payments exclusive of banks and insurance companies, as reported in Survey of Current Business.
[3] Bureau of Labor Statistics index.
[4] 12 months moving average.

TABLE IV.—*Factors in the glass industry*

[1899=100]

	Number of estab-ments	Wage earners	Total value of production	Wages	Percent, wage of value	Cost of materials	Profits and overhead	Horsepower
1899	100	100	100	100	100	100	100	100
1904	111	122	137	135	98	153	123	171
1909	103	131	158	145	89	187	161	228
1914	98	141	216	177	83	273	215	305
1919	104	147	458	519	69	533	638	386
1921	93	104	374	248	66	507	454	----------
1923	94	140	537	329	61	667	808	448
1925	88	131	516	316	61	667	731	505
1927	76	124	489	297	60	647	692	550
1929	75	128	527	319	606	606	861	638
1931	65	95	374	213	56	433	646	----------
1933	60	95	332	165	49	373	638	----------

Source: Leonard A. Drake, Barron's, Jan. 28, 1935.

TABLE V.—*Factors in the glass industry*

[1923–25=100]

	Number of establishments	Wage earners	Total value of production	Wages	Percent, wage of value	Cost of materials	Profits and overhead	Horsepower
1899	110	74	19	31	164	15	13	21
1904	122	90	26	42	161	23	16	36
1909	113	97	30	45	146	28	21	48
1914	108	104	41	55	136	41	28	64
1919	115	109	87	99	114	80	83	81
1921	102	77	71	77	109	76	59	----------
1923	103	104	102	102	100	100	105	94
1925	97	97	98	98	100	100	95	106
1927	84	92	93	92	98	97	90	124
1929	82	95	100	99	99	91	112	134
1931	71	70	71	66	92	65	84	----------
1933	66	70	63	51	80	56	83	----------

Source: Leonard A. Drake, Barron's, Jan. 28, 1935.

Senator NEELY. Does any other person desire to speak? If not, we shall adjourn until 10 o'clock tomorrow.

Senator AUSTIN. Mr. Chairman, may I ask Mr. Green some questions?

Senator NEELY. Certainly.

Senator AUSTIN. Mr. Green, can you tell us what percentage of the number of members of the American Federation of Labor are engaged in the manufacture of products that are sold abroad? I would like to have that figure. Can you give me that information?

Mr. GREEN. I think that I can promise you that. I will certainly try to secure that information for you.

Senator AUSTIN. I would also like the percentage of the number of all workers who are engaged in the manufacture of products sold abroad coming into competition with foreign labor. I think that might be helpful. I do not know whether you have that information or not.

Mr. GREEN. Is it not generally understood that we market abroad less than 10 percent of our production?

Senator AUSTIN. I do not know whether that is the actual ratio or not. My attention has been particularly called to one aspect of this question. There are manufacturers who sell abroad about one-third of their whole production, and they have felt throughout the depression that their foreign business has kept them from going under during the depression. If the 30-hour week should be applied to their workers, they think it would exclude them from that business, because they could not carry that additional burden against the foreign producer on his own ground and in his own circumstances. Whether we can make a fair deduction from the figures I have asked for, I do not know. That aspect of this bill was called to my attention. I asked Senator Black about it, and you heard what he said. What is your general impression about that?

Mr. GREEN. It is my general impression, based upon an analysis of our export trade, that 90 percent of our manufactured goods in the United States are consumed in our domestic market; that our export trade is between 7 and 10 percent of our production. Now, of course, there are certain lines of manufactured goods and produced articles that enter more largely into foreign trade than other lines, as you know. I think it is generally understood that cotton is largely exported. That is a raw material, of course, produced by our agricultural workers, who will not be affected by this bill.

Now, as to other lines of manufactured goods that enter into our export trade, at the moment I am unable to say—nor am I able to tell you just the lines of industry that do engage most largely and most widely in the manufacture and sale of goods abroad—but I will promise you that I will endeavor to go into the matter and secure and furnish you some information—such information as I may be able to obtain.

Senator AUSTIN. Perhaps I have overlooked the matter to which I am now calling your attention. If you have not stated it, I wish that you would. What is the average number of hours per week of labor at the present time, or at the latest time for which you have statistics? I mean the number of hours of employment. Have you stated that?

Mr. GREEN. I think I have stated that. My recollection is that I stated that the record shows that the workers are employed about 37.5 hours per week at the present time. I may be wrong, but as I recall, that is the figure.

Senator HATCH. That was the figure you stated.

Mr. GREEN. I think I stated that.

Senator AUSTIN. That is the average for the whole country?

Mr. GREEN. It is covered pretty fully in my statement.

Senator AUSTIN. So that the reduction, on the average, would be about 7½ hours.

Mr. GREEN. I think I have shown the number that could be employed due to a reduction of 7½ hours per week. I do not recall exactly, but I believe it was between three and four million workers that would be reemployed if the work week were reduced from 7 to 7½ hours.

Senator AUSTIN. Have you the figure that represents the additional cost of labor, in the event of such a change in the hours?

Mr. GREEN. I think the figures show that a change from the 8-hour day to the 6-hour day would mean an increase in labor cost of manufactured products of 3.3 percent. I may be wrong, but as I recall, that is the figure. It was a surprisingly small figure to me.

Senator NEELY. Mr. Green, assuming that the statement made by Senator Austin is correct and that a third of the output of a factory or many factories is sold abroad, would not the natural result of the operation of this bill, if enacted into law, be to increase the purchasing capacity of the country to such an extent that the surplus which is sold abroad could be absorbed here?

Mr. GREEN. That seems to be a logical conclusion. We agree with that conclusion—that the development of buying power will enlarge our domestic market and thus render unnecessary any attempt to increase our export trade.

Senator HATCH. Mr. Green, it is not your thought, is it, that you would abandon all efforts for foreign trade?

Mr. GREEN. No; not at all. I am confident that our manufacturers here will compete in the markets abroad under a 6-hour day just as effectively as they are competing under the longer work week and the longer work day now in effect.

Senator NEELY. Are there any other questions? If not, we thank you very much, Mr. Green.

STATEMENT OF FRANCIS G. BARRETT, VICE PRESIDENT INTERNATIONAL TYPOGRAPHICAL UNION

Senator NEELY. Mr. Barrett, representing the International Typographical Union, desires to make a brief statement.

Mr. BARRETT. Mr. Chairman and gentlemen of the committee, my name is Francis G. Barrett. I am vice president of the International Typographical Union.

The International Typographical Union represents approximately 75,000 printers, scattered in more than 700 cities and towns within the borders of our country.

In these 700 cities and towns are local unions, comprised of a membership varying from 8 members in the small communities to more than 10,000 in the largest city. From experience gained in actual contact with these large and small units employed in the printing industry, constant supervision over their internal affairs, and from reports from special field representatives operating in every section of the country, we feel that we are well qualified to state that a 40-hour week does not afford any substantial relief to the unemployed of our organization and that the work week must be further reduced.

During code hearings we strenuously fought for a work week of 30 hours in the newspaper printing industry and a 32-hour week in the commercial printing industry, but to no avail.

Even in the face of our presentation of indisputable factual data, fully supported by statistical data gathered by governmental agencies, a code of 40 hours was approved by the N. R. A.

We hesitate to do so, but if ever an organization was in a position of saying "I told you so", the International Typographical Union is in that position today.

Gentlemen, the 40-hour week does not, will not, cannot afford any relief to our unemployed. Why?

The answer is a simple one, and I trust you will permit me to show the effect of the P. R. A. in the newspaper and commercial printing industry. While the period is past, we find very often that hindsight is superior to foresight. The experience should at least be useful in indicating the proper hours if unemployment is to be relieved in the future.

A survey covering 315 cities and towns covering 22,574 of our members in the newspaper field shows that the President's reemployment agreement, designed to relieve unemployment, gave employment to only 62 members in the whole country, and a similar survey involving 27,691 employed exclusively in the commercial printing branch of the industry shows 15,274 were totally unemployed or working part time.

The P. R. A. as originally promulgated by the President was a step in the right direction—it provided for 35 hours—and if adopted by all industry would have reduced materially our large unemployed rolls. The failure of the P. R. A. as it affected reemployment of our members in the printing industry can be attributed to one thing—substitutions. The document was so amended by employers of the printing industry who painlessly removed its teeth that its accomplishments were negligible as shown above. The industry successfully amended 11 of the 14 sections of the agreement.

Then came the era of codification. The unemployed were justified in looking forward with hope to the time their particular industry would be under codes. Utopian fields seemed not far distant. They would again have an opportunity to work and supply the needs of their families. Was not that hope fostered and justified by the N. I. R. A.? Was not the intent and purpose of the act to reemploy our people out of work? Did it accomplish in our industry relief to the unemployed? And to that question the answer must be an emphatic "no."

Now, what is the next step? What must be done? In our opinion you have before you the answer. The 30-hour bill as proposed by Senator Black would be a progressive step in meeting this problem.

The members of our organization look to Congress for relief. Present conditions to which our members are subject cannot continue if we are to survive as a Republic. Inability to secure work with the emaciated faces of their wives and children ever before them is driving conservative and rational men into unreasonable, irresponsible, and irrational human beings. With hunger and want staring them in the face in a country having an overabundance in the necessities of life, can these human beings be blamed if they turn to any kind of agencies for whatever assistance or relief may be available?

The codes for our industry have failed us. We again look forward for relief through adoption of this bill as a means of absorbing not only the unemployed of our industry but all industry as well. I believe it a fallacy to think that one, two, three, or more groups in classified industries can provide sufficient impetus to restore any improvement in conditions. Such must be accomplished by universal action. The adoption of this bill would be the instrument to bring this into a reality.

The International Typographical Union is to my knowledge the oldest continuous trade union on the American Continent. It has had in operation a pension system for more than 26 years and paid out as pensions in that period $18,502,507. It has expended in mortuary benefits during 22 years $8,333,803.79. Its contribution to trade education in 27 years has been $425,511.80. And a home for the sick and indigent has been maintained at a cost of $6,728,819.47.

I anticipate that before these hearings are over industry will appear as they have done in the past and claim in a loud voice that "it can't be done." Our experience and records disclose that this always happens when a reduction of hours is requested. It occurred in 1852 when printers worked 12 hours a day. It occurred when the work day was reduced to 10, to 9, and then to 8 hours and there is no doubt but the employers will bring out a new fiddle but the tune will be the same as in the gay nineties: "In the printing industry it can be done", because of the "peculiarities" of the industry.

In reducing hours the International Typographical Union has spent, since 1891, $23,737,186.32. For relief our local unions have paid in cash from their pay envelops nearly $5,000,000 in 4 years to unemployed members. Division of available work by employed members to relieve unemployment in addition to relief payments is extremely hard to estimate, but the total will exceed $10,000,000 a year.

It can be seen from the financial sacrifices made by our members further reduction at the expense of those fully or partially employed is impossible without destroying their standard of living.

The present reduction of the work week has cost the newspaper industry practically nothing, owing to the reduction of hours by the employees themselves prior to the N. R. A.

"We do our part" has been extensively and loudly proclaimed by the publishers but the facts prove otherwise. The newspapers secured the Blue Eagle for nothing and they place the same value upon it.

The work week had been reduced to less than 40 hours as early as 1930 in several large printing centers and in other localities where there was a large percentage of unemployed.

In the commercial branch of the industry covered by the Graphic Arts Code 83.3 percent of the workers were employed at 40 hours or less per week before approval of the code.

In the newspaper branch of the industry covered by the Newspapers Publishing Business Code 92.3 percent of the workers were working 40 hours or less per week prior to the code.

We have shown the effect of the President's Reemployment Agreement upon reemployment in the industry. The same hours were continued in the codes as approved.

There can be no reemployment until the hours are shortened. The employees of the newspaper industry have thus far borne the cost of reductions in hours. Those in the commercial branch have borne most of the cost. They cannot further afford reductions in earnings unless all are placed upon less than an existence wage. Industry must now be required to contribute to recovery of the country. They will not do so voluntarily, so the only other method is by compulsion.

This bill to shorten hours and maintain weekly wages must be approved if the country is to recover from its depression level.

That the newspaper publishing business is a prosperous one and can afford to make a real contribution toward relief should be apparent from the earnings that have been reported in these depression times. I do not wish to go over my time, but I have before me a report taken from Poor's 1934 Industrial Manual. It shows in one particular instance the earnings of one newspaper equivalent to $622 a share. I should like to read into the record some very interesting data from that report, which tend to substantiate the facts to which I have called your attention. These are all from 1933, except as indicated.

NEWSPAPER INCOMES

It is difficult to ascertain the earning powers of most newspapers, by reason of the fact that large numbers are under chain control, and a single consolidated income account is published, for the entire chain. There are the further difficulties that most of the smaller newspapers are not listed in the manuals of Poor and Moody, and many of those which are listed make public only their statements of assets and liabilities, and do not publish their annual income accounts. A list of those incomes which are published is given below:

1. Hearst Publications, Inc., owning the stock of the companies publishing the San Francisco Examiner, the San Francisco-Call-Bulletin, Oakland Post Enquirer, Los Angeles Herald and Express, Los Angeles Examiner, Seattle Post Intelligencer: Its consolidated income account for 1933 showed net income of $3,435,975. There are 200,000 shares of common stock outstanding, showing earnings of about $18 a share, $25 par value.
2. Hearst Consolidated Publications, owning all stock of Hearst Publications, and also of the New York Evening Journal, Chicago Evening American, Detroit Times, and Pittsburgh Sun-Telegraph: Consolidated net income, 1933, $6,855,347.
3. New York Evening Journal: Net income, 1933, $1,276,706; stock, 75,000 shares common; earnings, approximately $17 a share.
4. Chicago Evening American: Net income, 1933, $622,919; stock, 1,000 shares common; earnings, equivalent to $622 a share.
5. Courier Post Co.; publishers Camden (N. J.) Evening Courier and Morning Post: Net income 1933, $157,972; preferred dividend, $60,653; common stock, 5,000 shares; earnings equivalent to about $20 a share.

6. Chicago Daily News: Net profit 1933, $1,488,929; preferred dividends equivalent to $389,303; common stock, 400,000 shares. Earnings on common equivalent to about $3 a share; $1.75 on preferred stock. A dividend of $1.75 on preferred stock, a dividend of 50 cents on common stock, and extra dividend of 50 cents on common stock were paid July 2, 1934. On January 15, 1934, dividend of 50 cents was paid on common stock.

7. Houston Post-Dispatch: Net income 1933, $5,967; stock, 9,000 shares common; earnings, about $0.65 a share.

8. Hartford (Conn.) Times: Net income 1933, $283,045.

9. Brush Moore Newspapers, Inc., publishing the following Ohio papers: Canton Evening Repository, Marion Star, East Liverpool, Portsmouth Daily and Sunday Times, Steubenville Herald Star, Salem News: Consolidated net income 1933, $219,909.

10. Consolidated Publishers, Inc., publishing Toledo Blade, Duluth Herald, Newark Star-Eagle: Consolidated net income 1933, $268,000.

11. Federated Publications, owning stock of companies publishing the following Michigan newspapers: Lansing State Journal, Grand Rapids Herald, Battle Creek Enquirer and News: Consolidated net income 1933, $8,374.

12. Gannet Co., Inc., owning stock of companies publishing the following New York, New Jersey, and Connecticut papers: Beacon News, Elmira Star-Gazette, Elmira Advertiser, Hartford Times, Newsburgh News, Plainfield Courier-News, Rochester Democrat and Chronicle, Rochester Times-Union, Utica Observer-Despatch, Albany Evening News, Ithaca Journal-News, Ogdensburg Journal, Malone Telegram: Consolidated net income, 1933, $770,894; preferred dividends, $132,000; common stock, 112,000 shares; earnings, equivalent to about $5.60 a share common.

13. E. W. Scripps Co., controls companies publishing the following papers: Akron Times-Press, Birmingham Post, Cincinnati Post, Cleveland News, El Paso Herald, Post, Evansville Press, Fort Worth Press, Houston Press, Indianapolis Times, Covington (Ky.) Post, Knoxville News-Sentinel, Memphis Press-Scimitar, Albuquerque Tribune, New York World-Telegram, Oklahoma City News, Pittsburgh Press, San Diego Sun, San Francisco News, Toledo News-Bee, Washington (D. C.) Daily News, Youngstown Telegram, Buffalo Times. Consolidated net income for the chain was $2,646,051, 1933; the share of the E. W. Scripps Co. was $1,432,227 for dividends on own stock; balance of $2,646,051 available for dividends on stock of subsidiary companies.

14. Boston Herald Traveler Co. controls Boston Herald and Boston Traveler: Net income, 1933, $459,369; shares outstanding (no par), 385,167; earnings per share, $1.19.

15. Press Publishing Co., publisher of the Pittsburgh Press: Net income, 1932 (latest available), $588,919; time fixed charges earned, $3.95; common shares outstanding, 8,600; earnings per common share, $68.48.

16. Grand Forks Herald, Inc., publishers Grand Forks Herald, 880 shares common stock outstanding; $175,000 7-percent first preferred, 200 shares second preferred. Dividends: First preferred dividends are regularly paid quarterly, January, April, June, and October 1; on common, 6 percent each in 1929, 1930, and 1931; January, April, and June 1932; July, October 1933, and 1934, 1½ percent each.

17. The Philadelphia Inquirer Co., publishers of the Philadelphia Inquirer: Dividends on $3 convertible preferred, 75 cents paid quarterly from July 1, 1929, to date of retirement, October 1, 1930. On present 6-percent initial dividend of $1.50 paid December 1, 1933, payable quarterly. On common paid December 1, 1930, and March 1, 1931. Seventy-five cents on December 21, 1931, $2 extra March 1, June 1, September 1, and December 1, 1932, and March 1 and December 28, 1933, 75 cents each.

Senator NEELY. Have you completed your statement?

Mr. BARRETT. I believe so, Mr. Chairman.

Senator HATCH. Mr. Chairman, may I ask the gentleman a question?

Senator NEELY. Certainly.

Senator HATCH. What effect would that have on the small country weekly? Have you considered it from that standpoint?

Mr. BARRETT. Yes, sir. The effect it would have, of course, is that it would undoubtedly decentralize the unemployment that is concentrated at the present time in large cities. The great trouble, as we see it and from our experience, is that they have no place to which they can go with any assurance of securing any work whatever. It would not act to harm the weekly papers.

Senator HATCH. Is unemployment centered generally in the large cities?

Mr. BARRETT. It is very wide-spread. Of course the larger units are in the large cities and therefore we have the larger unemployment problem in those communities.

Senator NEELY. Are there any further questions?

Senator AUSTIN. I would like to ask a question.

Senator NEELY. Proceed.

Senator AUSTIN. Do you know how many commercial printing companies have been so affected by the codes already in use that they have been put in the red by it?

Mr. BARRETT. I would not be in a position to get that information, since it would be necessary to have access to their books. I do not have that knowledge.

Senator NEELY. This hearing is adjourned until tomorrow at 10 o'clock, at which time the subcommittee will convene in the Judiciary Committee room in the Capitol.

(Whereupon, at 12 noon, a recess was taken until the following day, Saturday, February 2, 1935, at 10 a. m.)

THIRTY-HOUR WORK WEEK

SATURDAY, FEBRUARY 2, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee convened in the committee room, Capitol, at 10:20 a. m., Senator M. M. Neely (chairman of subcommittee) presiding.

Present: Senators Neely (presiding), Hatch, McCarran, and Austin.

Senator NEELY (presiding). You may proceed, Mr. Lewis.

STATEMENT OF JOHN L. LEWIS, PRESIDENT OF UNITED MINE WORKERS OF AMERICA

Mr. LEWIS. Mr. Chairman and gentlemen, I speak in support of Senate bill 87, introduced by Senator Black, now up for hearing before your distinguished subcommittee.

The case of labor with reference to this bill has substantially been made in the presentation by President Green of the American Federation of Labor, in his extended analysis during the 2 previous days of hearings. I shall undertake no comprehensive statistical analysis, because it would be merely covering ground already covered by President Green.

I have no desire to unnecessarily consume the time of the committee by indulging in repetition.

I come to aid the committee, so far as I can, in arriving at an understanding of what labor believes to be the fundamental economic and social importance of this bill. The economic and social equations involved in this projected legislative measure carry within themselves implications of most important political problems that affect the very structure of the political stability of the Republic. It has to do with the extent to which the functioning part of the Government of our country will put into effect rules and legislative regulations that will enable a part of our population to endure the vicissitudes of this depression and save their lives and continue to live. It is a question of life or death with some millions of our citizens. It is a question of health or sickness. It is a question of strength or weakness in the safeguarding of those who are suffering from malnutrition and improper diet. There is hardly anyone who will contend that the approximately millions who are now living on public relief in this country are receiving an allotment given by the Government from its common treasury which is sufficient to provide them with a balanced and an adequate diet. Their

food is necessarily limited to certain essentials. Their rations are not balanced. They cannot maintain their strength on those rations. They suffer from bodily and functional weaknesses due to malnutrition. They are becoming a prey to ailments and diseases because they lack the strength to resist the attacks of all forms of malnutrition.

So I come here today before the distinguished members of your committee and ask for the enactment of Senator Black's measure to reduce the hours of work to 6 hours a day and 5 days a week in America. I do not come merely to enable someone who works for a daily wage to work less than has heretofore been the case. I come asking the Congress of the United States to share the available employment with all its citizens, who are entitled to equal consideration before the tribunals of our Government.

All Americans are theoretically presumed to be equal before the law and are entitled to equal consideration by the tribunals of the Government, and yet we are following an economic policy now that ignores the rights and the privileges of nearly 11,000,000 workers in this country, and detracts from the hopes, aspiration, and the physical safety of all their dependents, amounting to approximately 18,000,000 who are on relief. That in turn affects the rest of the population in a direct manner.

These millions are entitled to an opportunity to work. They have all the pride of the average American, and the average American is not a beggar. He never has been. We do not breed in our country a race of mendicants or public beggars. As an American I resent any policy, whether by the Government or by industry, that tends to break down the self-respect of our working population; that tends to train our young men in habits of idleness and nonproduction.

I want our country and our Government to be the beneficiary of the loyalty and the talents and the activities of our citizenship. I want our young men to have the advantages to which they are entitled. I have figures here that show that hundreds of thousands of young men in our country are unable to get a job and have no prospect of securing a job.

And I say to you, Senators, mindful of the heavy responsibilities that you have, that we cannot, in justice to our own interests and the interests of the people; we cannot, in consideration of the security of our public; we cannot—in consideration of the very dictates of humanity itself—permit a continuance of the situation which is now in existence in this country and which is progressive in its trend toward an increasingly bad condition.

I do not know of any measure now before Congress that equals in importance this Senate bill 87. The social-security program now before Congress, drawn to the attention of Congress by the President, contains elements of tremendous value and importance to our population; but let me assure the Senators that unless we can devise some ways and means to protect the stability of our Government, then our social-security program for the thousands of the infirm and mothers will come to naught and be of no value. The necessity for giving employment to our people, the vital necessity for continuing a state of mind in our population that will result in a continuation of confidence in government, is of more importance than

undertaking to provide for those unfortunates who find themselves in the declining days of their lives without means of support.

From the figures given by the F. E. R. A., in October of 1934 there were 18,100,000 persons on public relief. There is every reason to believe that these figures have been somewhat increased at this time to perhaps approximately 19,000,000, but I do not quote that as the exact figure. Of the number shown in the figures given me by the F. E. R. A., 6,500,000 are employable, between the ages of 16 and 65, and willing and able to work. Four million of these are agricultural workers who are supported by the taxpayer.

On January 25, at the social-security hearings Secretary Perkins estimated our unemployed population at 9,000,000. This leaves 7,000,000 to be reemployed before we reach the 1929 level, when there were 2,000,000 out of work. These figures are most conservative and hardly paint the exact situation, but I am quoting them in order to be exact and to avoid contention as to their basis.

About 2½ millions were on the dole, direct money relief, and the remainder on public relief. The number on money relief increased every month up to November during 1934. Over 1,000,000, or one-fourth of these 4,000,000, were between the ages of 16 and 25. Of these 300,000 had never been able to find a job. Four-fifths of these 4,000,000 were workers with industrial experience. Six hundred and fifty thousand of them were skilled workers or foremen. Two and one-half millions were unskilled and semiskilled workers. About 800,000 belonged to the professional, managerial, or white-collar class.

In connection with that, I personally know now of a great number of men who have been educated for the professions, who are graduates of universities, who are seeking work in the coal mines of the country. I know a substantial number of men who are graduates of the professions, with university training and post-graduate courses, who are now working in the coal mines.

Who can compute the loss to the Nation and to posterity in bottling up in a coal mine at menial tasks a man who is a graduate of one of our great universities, and perhaps possesses the elements that would make a great surgeon or a great scientist; and who, if the opportunity were given him, might contribute in a remarkable way to the protection of the people of our country?

In 1929 the total wages and salaries amounted to $52,000,000,000. In 1933 that labor income had fallen to 29.03 billion dollars. Consider that figure of 29.03 billion dollars, and consider that at the present time the Congress is considering a work-relief and public-works bill designed to create employment which requires the appropriation of $4,800,000,000, nearly $5,000,000,000. There is involved in that bill alone an appropriation that approximates one-sixth of the total income of our working population on an annual basis.

Then let me ask you how long that can continue, unless we strike at the root of the evil and eliminate the necessity for the gigantic appropriations which are now involved in the public-works bill.

The great Thomas Reed, Speaker of the House of Representatives, gained almost immortal fame by stating to a Representative on the floor during the discussion regarding large appropriations that "We are a billion-dollar Government." Apparently we have traveled a long way. We have gone a long distance beyond that, because we are now undertaking to appropriate, almost as nonchalantly, if you please,

one-sixth of the total national income of all of the wageworkers of America, merely as a stop-gap.

Senator AUSTIN. How do you get that figure of $29,000,000,000?

Mr. LEWIS. I get it from the estimates issued by the Social Securities Commission appointed by the President, which indicates that the 1933 income was 29.03 billion. Even now we pay no attention to hundreds of thousands. We put down to a decimal point for fractions of billions.

Unemployed by industry and on public relief in May 1934, according to the F. E. R. A. figures, just giving the ratios, are as follows (this is the total number in each industry on public relief in the year 1934):

Extraction of minerals, 35 percent; coal mines, 39 percent; oil and gas wells, 13 percent; other mines and quarries, 42 percent.

Manufacturing and mechanical industry, out of 10,959, 14 percent, or 1,574,000, on public relief; building industry, 25 percent on relief; chemical and allied industries, 8 percent; cigar and tobacco factories, 29 percent; clay, glass, and stone industries, 14 percent; clothing industries, 13 percent; auto factories and repair, 11 percent; iron and steel, 15 percent; farm implements, ship and boat building, car and railroad shops, and other iron and steel plants, 13 percent, or 187,000; shoe factories, 15 percent; lumber and furniture, 18 percent; textiles, 11 percent; and we were supposed to have an appreciation of business in the textile industry.

Senator AUSTIN. Thirteen percent on the relief rolls?

Mr. LEWIS. Thirteen percent of the total number employed in the industry are on relief rolls; not unemployed, but on relief rolls.

Senator AUSTIN. That is a very low percentage, in view of what I know of the stone industry. Ninety percent of the people who are normally employed in the granite industry are out of employment. There is no business at all.

Mr. LEWIS. Even if it is a low percentage, Senator, it is scarcely satisfying to those included in the low percentage who have nothing except what they get for their labor.

Senator AUSTIN. I should say so.

Mr. LEWIS. Printing, publishing, engraving, and allied industries, 9 percent; electrical machinery and supplies, 9 percent; rubber factories, 8 percent; miscellaneous manufacturing, 8 percent.

These figures of unemployed by industry are for May 1934, when the Bureau of Labor Statistics' index of employment was almost at its peak for 1934. They show, therefore, how short peak employment in 1934 fell from 1930. These are minimum figures, since they include only that portion of each industry's unemployed who are on relief.

I quote these percentages merely to indicate what the situation is in these various industries, and to indicate the general necessity for doing something, not for special industries but for all industries, because they are all suffering from the same ailment.

I might summarize a year's experience under N. R. A. codes as follows:

In October 1934 the Bureau of Labor Statistics' index of manufacturing employment fell about 1 percent below the index for October 1935; about three-fourths of the 1929 index. The average weekly hours remained the same. From March 1932 to March 1933 they

ranged between 36 and 38; from September through October 1934 they ranged between 33 and 38. I refer to the hours of work in those industries. The American Federation of Labor estimates that the net reduction in unemployment up to September 1934, since March 1933, was $2\frac{1}{2}$ millions. Of the first 480 approved codes, 428, or 89 percent, contained some form of the 40-hour week; 29, or 6 percent, contained maximum hours of less than 40 hours; 24, or 5 percent, contained provisions ranging from a 42- to a 54-hour maximum work week.

Code maximum hours, on the whole, merely confirmed the normal working week in manufacturing industry. They placed no pressure upon employers to increase employment when production increased to normal. As a matter of fact, we have found representatives of industry constantly resisting the entry into their industries of the unemployed from any other industry. We find industries refusing to accept their obligations, we find special industries refusing to accept their obligation of creating a job and giving a job to an unemployed man who may have been attached to some other industry.

Senator AUSTIN. May I interrupt you to ask a question?

Mr. LEWIS. Surely, Senator.

Senator AUSTIN. Have you discovered the reason for that, or whether there is a reason for it?

Mr. LEWIS. I can only quote the reason given by the representatives of industry; and that is that they do not want to go to the trouble of training those men, because they say it adds to the cost. They prefer, of course, that the Government should continue to bear the cost of keeping these people in idleness, rather than for an industry to undertake to make a contribution to political and social security of the Nation by making a small expenditure to train a man to work, and letting the public pay the price of that training by adding it to the cost of production. The Government has given industry an opportunity, through the codes and through the National Recovery Administration, to sell their goods for cost, at least cost. It has given them the right to combine, and in many industries has given these industries the right to fix prices, to compute their own costs, and to fix their own prices. Surely, a legitimate item of cost that might be incorporated in any proper computation would be that item of cost of training men to operate in an industry. And yet we find industry constantly refusing to accept that obligation and to discharge that responsibility.

Industry prefers to come to the N. R. A. and ask for exemptions from code restrictions. If they do more, it is due to the fact that they want the opportunity to work at maximum production under the codes. They make the welkin ring with demands that they be given code exemptions so they can work the men longer hours. It matters not that in that neighborhood are other idle plants and the streets are filled with hopeless men searching for employment and suffering for lack of sustenance. Industry refuses to employ those men, and comes down to Washington and asks for code exemptions. They say, "If the Government feeds this man, why should we slow up one of our machines, even temporarily, to make that man an operator of that machine?"

Those are the sorts of things that breed contempt for all industrial management in the hearts and minds of men who have committed no

offense except that of looking for a job that they might keep their dependents from becoming paupers. That is what industry is doing in this country today.

These code maximum hours exerted no effect only when production increased to capacity or to seasonal peaks. If we are to continue, maximum hours must be put into the codes providing for emergency needs; emergency needs of employment, not the normal work week in which 1929 production can be maintained on the 1934 work week.

Shortening hours of work per week in order to put people back to work is the method contemplated by Congress and supported by the President in his speech to the code authorities last night. I was one who listened to the address of the President to the code authorities in March 1924. I heard the President urge industry to shorten hours, to increase wages. I knew the policy that was under consideration before the meeting was held. As a member of one of the boards of the National Recovery Administration, that policy had been considered by me, and it was known beforehand all through that organization that the President was going to make that request of industry, addressed to that assemblage of code authorities of the Nation in Constitution Hall on that occasion, and was going to deliver to them that message.

And the message was delivered, and resistance was encountered. The so-called " capital goods ", or heavy goods industry, was the most violent of all those who resisted. There was a special committee created in that section of industry to make recommendations to the administration on that particular phase of it. The committee met and consulted, and they retired to their cloistered meeting place day after day. So far as the 19 million dependent population is concerned, that committee might as well never have been appointed, because it has never recommended a single constructive act or formula to the capital goods industry that means a day's work for any man or that means security for the rest of our citizens.

But they had sufficient influence to prevent the administration from carrying out its announced policy of shartening hours and increasing wages. The world knew prior to that date that the Baldwin Locomotive Co. was not making any money, because the railroads were not buying any locomotives. The railroads have been buying mighty few locomotives ever since, except in the completion of an electrification policy, like the Pennsylvania system between here and New York, which, by the way, has been done with Government money.

There are plenty of people in this country who are willing to do something if they can do it on Government money. I would like to build a home for myself if I could do it on money furnished by someone else. I am incapable of doing it myself. But these same industries, these same elements in this country who accept largesse from the Government to the extent of millions and millions of dollars, have refused on the other hand to extend any consideration to the employees of the industries.

It is a selfish policy. Of course, Senators, it is a selfish policy. I make no pretense at claiming that selfishness can be eradicated. I only say that the man who is hungry has just as good a right to be selfish as the man who has dollars in his pocket and who fails to make any provision for those to whom he has an obligation to provide.

Industry has an obligation to provide for the continuance of its own existence and for the continued existence of those who are required to support industry. That is one thing that has created chaos in our country, because in those golden days when profits could scarcely be computed because the volume was so great and increase in capitalization and stock profits were commonplace every day, when new bond issues were being floated so rapidly that our finances could scarcely keep up with them, no provision was made by management of industry or finance to continue protection of the corporation, of the stockholders, or of the employees. No reserve was created for unemployment. No reserve was created within the corporation for the protection of those companies when unemployment came and when consumption shrank and markets declined.

And we find those same people coming down to the Reconstruction Finance Corporation and other governmental agencies and gladly accepting loans. What for? To liquidate their outstanding obligations, to pay for raw materials, to pay their fixed charges, to do everything necessary except care for their labor, their dismissed labor. They turned labor out on the streets.

Why, Senators, if a man has a team of mules and only uses it a part of the time and turns it loose on the public when he does not need it, something is done about it to make him take care of his own mules. That is obvious. He cannot turn them out on the public highway. He cannot let them pasture on other people's land. Neither can he permit those mules to die in front of another man's house. And yet that is what industry purports to do in this country now. It turns loose its employed population or its employable population and lets them die in front of someone else's house. We have got 19,000,000 people now who would die except that the Government, through its Congress, has changed its policy and changed its attitude toward giving public relief.

It is only a mighty short time since the President of the United States resisted any attempt to provide public relief for unemployed and hungry people. I do not need to mention his name here. He is known to all of you. He has not been gone very long. I do not want to disturb him in his cloistered precincts. This bill is an attempt upon the part of Congress to provide public relief for the unemployed and the destitute. He said it was destructive of initiative, was not in keeping with American principles and American concepts, did not permit the carrying out of individual application. Well, it is not in keeping with Amercan prnciples, either, to provide work for 30,000,000 of our population that would like to be gainfully employed and forget all about the other 10 or 12 million.

I was down for a day or two this week at the hearings being handled by the National Industrial Recovery Board in the auditorium of the Commerce Building, dealing with the wages and hours provision of the various codes. I found employer after employer coming there reading his paper—these papers are a boon to the woodpulp industry of Canada—and simply saying that the only concession they propose to make is that they ask permission to go ahead as they now are and refuse to shorten hours any further or to make any contribution to this situation, except to leave the industry alone. It amounts to that, in plain English.

One great captain of industry from the Dan River, or somewhere else in New England, said he did not know whether their formula would work; that we all ought to trust in the profit system. That was his formula for possible emergence from this critical situation—to trust in the profit system.

Well, I have no quarrel today with the profit system. I represent a group in the American Federation of Labor, and I have the same viewpoint, that concedes the right of capital to live and to have a return on its investment. We are not here today before this committee fighting the capitalistic system, nor the profit system, nor asking for the abolition or restriction of any right of investors in this country. But trusting in the profit system is what brought us to this condition we are now in in this country. We were trusting to the profit system back in 1926 and 1929, and our trust was misplaced. We were trusting in the profit system—and I mean the American labor movement officially through its Federation—when we joined with President Hoover after the market closed in 1929 in trying to keep things going along and trying to prevent the people of the country from becoming panicky and becoming excited and hysterical. We trusted then. Five years afterward we are still trusting, but that trust does nothing for these people who are idle. It does not answer the question in millions of homes today, where there is neither heat nor food, nor adequate covering, nor sanitary conveniences. This is a matter of life and death to America, Senators. These internal questions affecting the political and social life of the Republic are the most vital, the most fundamental and far-reaching of all important questions that can come into the life of the Nation or the Republic, if we are to deal with the question of its stability and with the question of its perpetuity.

I do not propose to quote history, but all history is the same on this question. Back through the years and the centuries in the nations and empires that waxed influential through prosperity and success and great power and the extension of their influence beyond their confines, with an increasing density of population, we find coming into the councils of those nations and those countries social and economic questions that inevitably breed political problems of great importance. The failure of those countries to solve those questions in a way that accords with the requirements and the necessities of citizenship is the reason that the pages of history are teeming with records of the dissolution and the fall of the mightiest empires of all times.

During the past 150 years our Nation has been waxing in its strength and its accomplishments. We had a comparatively small population in a tremendous area, composed of virile people, pioneers, men of courage and vision, who exploited the resources of the country. Through the years we built up a population of 130,000,000 people in our Nation, but we cannot do that today. Our idle people cannot do that which their forebears were able to do a hundred years ago. When conditions in a settlement became such that a man could not make a living, he could place his gun on his shoulder and load up his lares and penates on his mules or horses and take his family and do like Daniel Boone and other old pioneers did—go into the wilds of a new country and stake out a home for himself, build up

a new district and create a new population. It relieved the pressure in his home settlement when he left.

But that cannot be done today. There is no place for our people to go. The idle man who has been employed in a steel mill or a coal mine or a textile factory or a lumber camp has no place to go, because our great captains of industry come down here in the Commerce Building in Washington and say, "We cannot take care of people from the outside in our industry."

And they resist it because it will cost something. They don't know how much it will cost. Well, whether it costs a dime or a dollar, they are against it anyhow, because the mere suggestion of cost makes them shiver. They are uncomfortable when anyone suggests a policy or procedure that will add one kopeck, or ruble, or sou marque to the sum total of the cost of their plant. They think only in terms of competition, and they think only in terms of profit. They don't think in terms of humanity or in terms of political security.

I am amazed at times because I wonder what will have to happen in this country to convince some of our great leaders of industry of the necessity for doing something for the people of this country who are unemployed and deprived of a livelihood. I wonder how long these 18,000,000 will submit to conditions of that kind. I wonder how long they think they could starve me. You know, I would not starve to death. I would not let anybody starve me. I don't ever propose to starve in this country. And I think I voice the feeling of 11,000,000 Americans who are idle and out of work, and who do not propose to let anyone starve them on a paper formula. It is time for plain talking in this country.

I see these men coming down here to the N. R. A., and in their conferences. I see them all the time. They are good men. They are well dressed. They are well groomed, they are well fed, and they mean well. They work hard at their business, and are good to their families—their own families, just their own families. Some of them do not care anything about other people's families. And that is what is the matter with some of them in their conception of their obligations. Some of them are so engaged in running their now little business in their own little parish that they do not know what is going on. They don't know that the people living in the rest of the country are living under such conditions as to jeopardize the security of their own lives and jeopardize the investments they have, which perhaps were left to them by their grandfathers.

But 18,000,000 people are on relief in this country, between 10 and 11 million unemployed, and, gentlemen, that cannot go on. There is just one answer to it. What is the answer? In 5 years of consideration of this question, who has presented a formula for the solution of this problem except organized labor? I say that with all modesty, but I say it frankly and in an endeavor to have someone come forward with a solution. No one has come forward. Endless papers have been read, endless computations of statistics have been made, wails and lamations have ascended to the high heavens against any increase in cost; but out of it all simply comes a reiteration of the ancient shibboleth of "Let it alone. I trust it will get better. I hope it will get better. I really believe it is getting better." I have heard these things emanate from the platform in the Commerce

Building this week. "Just continue to hope and trust. Just continue to wait and see." These men and women and children can't wait. Their lives are ebbing away. Five years of my life and 5 years of your lives, Senators, have gone by while we have been debating this question; and we are still following a thum-twiddling policy. Our situation must get better or it will get worse. It cannot stand still. That is axiomatic.

There are some who profess to see in the last 3 months an improvement in business. I only hope that is true. They are not sure themselves, that it is true. They don't know whether it is a seasonal appreciation or a psychological appreciation, a spurt or what it may be. They only hope it is true and enduring, but they have no guarantee of it. Not many people have gone to work. No matter how much appreciation in business there has been during the last 3 months, if there has been any—and I am not one who can see it in any tangible form—there are not any more jobs, and none of the unemployed have gone to work. I can speak positively with reference to one industry with which I am associated and say there is no appreciation there, except the seasonal appreciation, and even that seasonal appreciation has been limited to the severe weather for the past few weeks.

Out of all that contention and consideration, Senators, labor is the only interest that has come forward with a formula. What is labor's formula in a nutshell? It is to do what this bill proposes to do, to divide the available number of man-day jobs in this country among the population who are able and willing to work. It boils right down to that.

What is the proposal of the National Association of Manufacturers? They propose to divide the available man-day jobs among those who now have jobs. There is a difference of 11,000,000 population involved as between the two formulas.

And labor calls to the attention of Congress, in a very sincere and hopeful way, the fact that it is impossible to carry on on this basis. You cannot forget these people who are unemployed, and you can eliminate from consideration the 18 or 19 million people who are on public relief. You cannot stop, after eliminating them. There must be an answer to it.

Now, on the question of cost, I doubt if there is anyone who knows what it will cost to put industry on a 6-hour workday for 5 days a week. It is my opinion that it does not make any difference what it will cost in dollars and cents, because anything that it can cost is trifling in importance in comparison with the necessity of doing it. It matters not what it will cost in dollars and cents, if we can put our unemployed to work, if we can restore a healthy state of mind to our population, if we can aid the social and political activities of our country and its institutions. If we can do that, it does not make any difference what it costs.

I personally believe the cost will be far less than is claimed by some of the opponents of the measure. As a matter of fact, I know that is true in certain industries. The cost in the mining industry would be infinitesimal. Of course, it is sadly true that if the cost is small, the number of those returning to work under the rearrangement will be lessened.

In the coal industry, when it changed from the 8-hour day to the 7-hour day, 5 days a week, it cost scarcely anything. The coal industry is not in position to say exactly or mathematically that it will cost anything. Why? Well, because the coal-mining industry is an industry that is peculiar unto itself. It has special equations and problems. The hourly efficiency in the industry has so increased that the same production, or practically the same production continued under the 7-hour day as under the 8-hour day. As a matter of fact, certain coal companies have reduced their costs by putting into effect the 7-hour day as against the 8-hour day. That is not true in all of them or a great many of them. I cannot say that a reduction from 7 to 6 hours in the coal industry can be done without cost, because I think it will cost something. But regardless of what it will cost, it is desirable to accept that added cost in order to create jobs for these people who are suffering.

I say that is true in all industries. I say the people of this country are prepared to pay the added cost of production. Why should the manufacturer or the owner of a plant wring his hands in mental and mortal anguish when the suggestion is made that he do that, that he create more jobs, that he increase his cost and the public pay the price. I think the average citizen of our country is perfectly willing to pay a price for a product or commodity that will provide employment for our people and enable them to live decently, if you give him a job so he can buy the product. That is what it amounts to.

Senator Neely. Did the reduction from 8 to 7 hours in the coal industry result in a substantial increase in the employment of those out of jobs?

Mr. Lewis. Unfortunately, no, Senator, for this reason: A mine is different from a factory. The miners for years have been asking for shorter hours in the mining industry, because the 8-hour day was in effect from the time the man reached his working place in the morning until he left it at night. That working place may be down 500 feet underground and from 1 mile to 5 miles away from where he entered the shaft. So his actual time in the mine was from the time he entered in the morning, the time consumed traveling underground to his working place, then putting in 8 hours' work, plus half an hour for the lunch period when the mine was not in operation, and then returning that night to the top of the mine. As a matter of fact, he was underground from 9 to 9½ hours a day, and in some instances a good deal longer.

During that time he was exposed to all the hazards of the mine. He was under that conscious or subconscious nervous strain that always goes with that occupation. He was breathing the vitiating and noxious gases in the mines, which tend to increase the nervous strain and the exhaustion of energy.

We have always contended that the hours were too long; that under the 7-hour day the lessened nervous and physical strain and increased efficiency of labor would offset the reduction in hours. That turned out to be true. Our men are producing substantially the same amount of coal in 7 hours as they formerly did in 8.

Now, with reference to some of the mechanical processes in the mines, having to do with transportation and operation and equipment, we have contended that the increased efficiency of labor would

offset the expense of idle periods of that equipment. We have found that is true, since the management has been inspired to do something. We find there is higher efficiency in the mechanical equipment in the industry.

I have in mind one mine, for instance, that is a typical case, where the operator protested sincerely and most earnestly that he was getting all the coal up that shaft that could be hoisted, and a reduction of an hour a day would mean he could not change his mechanical arrangement and would be deprived of one-eighth of his tonnage. He had a 4-ton mine car. We were sure that something could be done that would relieve that situation, because we knew something about it. After the 7-hour day became effective he had the size of his mine cars built up. They were mechanically loaded and it made no difference how high they were. He built up the sides of the cars, and instead of loading 4 tons of coal in a car he loaded 5½ tons. He had the same number of cars going up, with that added amount of coal. He had materially reduced the cost of his operation by the adoption of the 7-hour day. That is just one case indicating what can be done when it is necessary.

We are paying a terrible price in this country for our efficiency, for our mechanical genius, for our chemical discoveries, for the brilliancy of our engineers. They are making what they think is a contribution to the scientific knowledge of the mechanical operation of the world's affairs, and yet in doing so they are making our people idle. There is only one answer to it. If we are to keep pace in the administration of our social and political affairs, with the genius of our technical and scientific men, we have got to go forward in our social and industrial and political statesmenship. The advantages of the machine must be distributed more equitably among the population. The machine that merely yields a profit to its inventor and the man who uses it in his factory, and cuts employment 10 or 20 percent, is not a boon to mankind. It is a curse to mankind, if the distribution of its advantages is restricted only to those who invent and those who operate it. The population must enjoy some of the advantages of that machine.

How? By being permitted to participate in the advantages derived from the curtailment of employment brought about by the machine? There is no other answer. The end has not yet been reached. We are progressing in this scientific age of ours. I do not even know that the statement of the future will not have to come to the consideration of shortening the working hours below 6, because of that progress. It seems we are eventually getting to the point where about all the work a man will have to do is to push a button or throw a lever or oil a machine or guard it while it is in operation. If we have the initiative and brilliancy and inventive genius in our civilization to create machinery that takes the place of human beings, then certainly we must permit all the population to participate in the distribution of the advantages that come from such tremendous accomplishment. There is no other way to solve the question. That is what labor proposes to do now.

The Senators know that in 1926 and 1929, in those gold years we talk about, there was tremendous technological unemployment, that it was progressive, and that some 2 million of our workers were affected by that situation at that time.

I have in mind one instance. For many, many years the Pittsburgh Steel Co. had a plant over on the south side of the Allegheny River in Pittsburgh, where they employed 1,200 men who lived in that community. The company decided 2 or 3 years ago to erect a new plant on the opposite side of the river a mile away. The new plant took the place of the old one, turned out twice the production of the old one, and employed 200 men. In other words, the new plant, equipped with modern labor-saving machinery and scientific application of the new arrangement for handling that industry with 200 men, displaced the old plant with 1,200 men.

What are we going to do about it? There is only one answer in logic, and that is to gradually bring about a condition where, if a plant is so equipped with modern labor-saving machinery that 200 men can do the work of 2,400 men, the remainder of the 2,400 men must participate in the advantages derived from the operation of that 200-man plant. I do not mean to confine it to that plant and say that plant should take care of those men, but there must be a distribution of those advantages, and it can only be done by reducing the hours of labor in this country to any point that is necessary. There is no security otherwise.

We are spending right now at the rate of $140,000,000 a month for public relief. In November, according to Mr. Green's statement before this committee, we spent $172,000,000. The average for the year 1934, according to Bureau of Labor Statistics figures, was 140 million a month, or a total for the 11 months of $1,570,000,000 for public relief. We can't go on like that.

The N. R. A. is not going to solve the question, because the N. R. A. has failed to solve these questions. The N. R. A. has yielded to the pressure and the importunities of business, and is no longer hoping to reduce hours. The N. R. A. is not even hoping to maintain the hours in the codes they have now, because hourly each day applications are coming in for exemptions under the codes. As I told the N. R. A. Board the other day, most of the young men who travel through the halls of the Commerce Building, and jingle their spurs around those desks, are engaged in passing upon applications from industry for exemptions from hours and wages provisions in the code. The employers and manufacturers in this country are engaged in an enterprise under a mass arrangement of trying to chisel down this code theory that protects wages and hours, and especially hours. We know, no matter how gigantic the tree, if there are enough beavers to get around it and gnaw away continuously, eventually the tree will fall. The tree cannot resist the mass attack. That is the way with the N. R. A.

Industry is leaning backward; industry is ignoring its obligations; industry will probably come here and protest the enactment of this bill, backed by innumerable statistics, all based upon the fact that the price of clothes pins in some town in Connecticut will be increased by so many cents, if the hours of labor are reduced from what they are now to 30 hours a week, and one-third more men employed.

Well, Senators, what if the increase does come about? What if these men are stating facts and there will be an increase? Isn't it worth it? Isn't it desirable? What can we do with 11,000,000 men, not in 1935, but in 1940, unless we find jobs for them? We have waited 5 years for a condition to be brought about where through so-

called "normal economic processes" that desirable condition could be attained, and it has not been reached yet. During that time we have dreamed of increasing our foreign exports, and they have not been increased. As a matter of fact, every man who has studied the question knows there is no reasonable opportunity to expect them to be increased. The countries of the world are not buying from us, except what they are compelled to buy; and that is limited to those who have to have what they are able to pay for. And they will not buy from us, because they, too, are faced with internal situations at home, in those civilized countries. They have nothing with which to pay for the goods they would buy.

Plenty of them would buy goods from us if we would give them the money or let them buy them on credit, but we are suffering from that now to an intense degree. Last year we were assured that with the recognition of Russia would come about a tremendous amount of buying from that country, of products and machinery necessary in Russian enterprises. In a short time we were told that Russia would buy, if we would give them the money with which to buy. Of course, they would. The sum total of our advantage from increased trade with Russia has been nil.

As a matter of fact, we have been pushed out of a great number of countries by the policies they are following. The American coal industry is being gradually pushed out of Canada to the tune of millions of tons. That is obvious. How? Through the application of the political policies of the privy council of Great Britain, where preference is being given to Dominion business enterprises, through the encouragement given to manufacturers of Dominion products. There is no chance to solve this question through the appreciation of our export trade.

And likewise, Senators, there is no chance to solve it through so-called "natural processes", sitting by and hoping that normal conditions will come. We are getting older. I am 5 years older than I was when I attended a White House hearing in November 1929, and was assured by the President of the United States that recovery would come at the end of 3 months, and that I could tell my people that under no circumstances would the emergency last more than 6 months. I am 5 years older, and after the lapse of 5 years I come here in all sincerity and say to you that in my opinion the time has come to act.

And I urge upon the Senators that they will not be beguiled from what I conceive to be the plain obligation of the situation by listening to that tale that it cannot be done because it will increase cost. Unfortunately, there seems to be an adherence and assent to that philosphy on the part of some of our great public representatives. But what are we going to do with these 18,000,000 people? The Treasury of the United States cannot long continue to bear that burden. Certainly, it cannot do it indefinitely. What is the answer? If the gentlemen representing industry say the answer is that conditions are improving now, and they hope by June or July or December conditions will be normal, we can say to them that the millions and millions of Americans have no confidence in them as prophets. Hope has been deferred sufficiently long, and the heartsickness is here. I hope the Senators will not be beguiled by that argument.

I see some of the great leaders who are supposed to be sympathetic with the common people changing their attitude on this question. I saw but yesterday or the day before our Mr. Richberg—springing from the loins of labor, as he did—recommending to the President of the United States the imposition of a code on labor in the automobile industry for the continuance of the 48-hour week in this terrible emergency that confronts our country. I think Mr. Richberg is not only recreant to his obligation as a public servant, but I think he is a traitor to organized labor when he makes that recommendation—labor that nurtured him and at whose breast he suckled.

I have discussed the problems of the automobile industry with the leaders of it, members of the Industrial Advisory Board of the N. R. A., in some of our joint meetings. I have talked these matters over with Mr. Sloan, and no one knows better than Mr. Sloan and Mr. Richberg that these lengthy hours in the automobile industry or any other industry have no moral or social justification. The automobile industry wants to continue to be able to turn men loose on the streets of Detroit and the towns of Michigan, when they are through with them. That is what they want to do. They want to work as many men as they want to work when they need them, and when they don't want them to work, because it is not convenient, they want them to be fed from the Public Treasury, to be fed by the taxpayers of this country, with money derived by the Government through sales taxes levied on the bread of the common people.

As President Green said yesterday, we find that numerous States are now applying the sales tax on everything, which is the most vicious form of tax ever devised, which places the burden of the cost of Government on the unfortunate man instead of on those who are able to pay. And the man who goes on relief, given to him by the Government at the expense of the taxpayers, after being turned out of the automobile factories in Detroit and other cities in Michigan and other States, is compelled to take out of his meager pittance enough money to pay a sales tax.

And I call your attention particularly to General Motors, dominated by the Du Pont family, with their fearsome war profits of a billion and a half dollars that we will always remember were wrung from the people of this country in the making of the munitions of war. General Motors wants to continue to have the right to turn Americans out on the streets at will, with no sense of responsibility.

Senators, I am not prejudiced on this question. I am giving you the benefit of my experience and my judgment. I am not enunciating any hasty opinions or pronouncing any impulsive judgment. I have been a conservative in this country. I have stood for the protection and the maintenance of American institutions. My voice in the councils of organized labor has been raised against those who have enunciated policies of communism, socialism, and whatnot, all through the years, I have stood for the rights of American capital to have a return upon its investment, and by the same taken I stand for the right of the workers in America to have equal consideration before the law and equal rights in our industrial system. I do not ask it as a favor for them; I demand it as a right. And I

ask the Congress of the United States, the honorable Senators who are members of this subcommittee, to not be beguiled into following after false economic gods on this question, and to not let the billion of war profits of the Du Pont family, as represented by their investment in General Motors and their investment in the Liberty League of this country, a propaganda institution, to carry them off into those theories where disaster is bound to follow.

For Mr. Richberg, who knows all these things of which I speak, I express my personal contempt. Organized labor thinks of his actions in the last few days as reprehensible and dishonorable.

A crisis is here. This Congress must solve this question in some way. If this Congress adjourns, when it does adjourn, whether it be May or July, without having enacted legislation that will create conditions for the employment of millions of suffering and idle Americans, then organized labor will disclaim responsibility for the unrest that will obviously follow. Organized labor, through its accredited spokesmen, has given the Congress of the United States a sincere, earnest, thoughtful, and honest recommendation as to how to deal with this situation. If the Congress of the United States in the end elects to follow the recommendations of the war profiteers of this country as represented by big business, rather than the earnest pleadings of the common people expressed through their organizations, then organized labor will disclaim the responsibility for that policy. We ask your earnest consideration of what we have had to say, and I thank you for the time you have given me to voice these few thoughts.

Senator Neely. We thank you for having expressed your views. Are there any questions?

Mr. Green (president American Federation of Labor). May I ask if the opposition to the proposed legislation has filed with you a list of the names of representatives of industry or individuals who will appear in opposition to this measure?

Senator Neely. The following have asked to be heard in opposition to this bill.

Mr. James A. Emery, Investment Building, Washington, D. C., representing the National Association of Manufacturers.

Mr. W. A. Wentworth, of the dairy industry.

Mr. A. M. Loomis, representing the American Association of Creamery and Butter Manufacturers, asked to be heard on the question of the alleged necessity for the exemption of manufacturers and processors of perishable commodities.

Mr. Reece V. Hicks, of Kansas City, representing the International Hatchery Association.

Also someone from Boston, whose name I do not remember, who asked to be heard.

The clerk of the committee informs me that a representative of the railroad organizations has asked to be heard in opposition to the bill.

Mr. Green. May I follow that question by submitting another? Is it the plan of the committee to call for the presentation of the point of view of those who favor the bill first of all, or do you intend to alternate?

Senator Neely. The Chair has not discussed that question with the other members of the committee. In my opinion we should hear the proponents of the measure before calling anyone in opposition to it.

Mr. Green. We have no objection, but we would appneciate the opportunity of making special answers to some features of the arguments that may be submitted in opposition to the bill. That is, we should like to be accorded the right to answer some points, in the event that seems to be necessary.

Senator Neely. The Chair's opinion has been that the proponents of this measure have the right to open and close the case; that those who favor the legislation should be heard; that those who oppose the measure should then be given an opportunity to present their views; and following that, the proponents should be accorded the opportunity of replying to the arguments advanced by the opposition. Is that satisfactory?

Mr. Green. That is quite satisfactory. I assume that it is the intention of the subcommittee to expedite the hearings and proceed as expeditiously as possible, so that the measure may be presented to Congress for consideration at the earliest possible date.

Senator Neely. There will be no unnecessary delay. There can be no hearing on Monday, for the reason that the full Committee on the Judiciary will meet in this room at 10:30, and I think all the members of the full committee will wish to attend that meeting.

Mr. Green. Will the hearings be resumed on Tuesday?

Senator Neely. The hearings will be resumed on Tuesday in this room. In order that we may have a quorum present, and that members of the committee and others may not have to wait unnecessarily, we shall meet at 10:30 instead of 10. This morning we lost practically half an hour waiting for a quorum.

Mr. Green. We will have a representative to appear before the committee on Tuesday, if that is agreeable.

Senator Neely. That is entirely satisfactory. The subcommittee now adjourns.

(Whereupon, at 12 noon, the subcommittee adjourned until Tuesday, Feb. 5, 1935, at 10:30 a. m.)

THIRTY-HOUR WORK WEEK

TUESDAY, FEBRUARY 5, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met in the committee room, Capitol, at 10:30 a. m., Senator M. M. Neely (chairman) presiding.

Present: Senators Neely (chairman), McCarran, Hatch, Norris, and Austin.

Senator NEELY. The committee will please be in order. Mr. Bates, the next witness, may proceed.

STATEMENT OF HARRY C. BATES, PRESIDENT BRICKLAYERS, MASONS, AND PLASTERERS INTERNATIONAL UNION

Mr. BATES. Mr. Chairman and gentlemen of the committee, I want to say that the members of our organization, that I have the honor to represent, advocate the passage of this bill. It is necessary that the working day be reduced to 6 hours and the work-week to 30 hours per week if there is a remote possibility of placing back at work the hundreds of thousands of skilled mechanics in the building industry that are now unemployed and on the relief rolls, and have been unemployed for the last 3 years.

Before the depression our organization was able through collective bargaining with our employers to establish the 30-hour week in several localities, and even at the present time we have the 30-hour week established in certain sections in Massachusetts and the State of California and other isolated sections. Even with the 8-hour day, which we have enjoyed without interruption for the past 30 years, which was also established through collective bargaining agreements with our employers, we find that in normal times it is absolutely impossible for many thousands of our members to secure continuous employment under the 8-hour day.

Statistics were kept in the city of New York in 1932 by our organizations, and these statistics are absolutely correct, due to the fact that each member was assessed 5 cents per hour for every hour he worked to take care of and assist members where unemployed. Over a period of a year we found the average earnings of bricklayers in New York City in 1932 were $7.84 a week. In ordinary times, when there is plenty of building construction, our members are not able to average even 30 hours per week, and in any period of construction if a bricklayer is able to work 150 days per year it is out of the ordinary.

If the 30-hour week were to be established, it would provide for the employment of practically all the skilled mechanics that have

grown old and are unable during such times as these to secure employment in competition with younger men. It would remove that class of mechanics from the relief rolls and would make it possible in the summer months for building construction not to be retarded in any way, because of the fact that it would be possible to work two shifts a day of 6 hours each, which would take up the slack in the unemployment.

Now, Senators, since this bill passed the Senate last year we had high hopes, of course, that it would relieve the condition of these thousands, and high hopes that it would receive favorable consideration in the House of Representatives, but the National Industrial Recovery Act was passed. Since the passage of that act we have been very much disappointed, and I want to recount to the members of the committee some of our experiences in trying to maintain even the present 8-hour day that has been enjoyed by our organization for so many years.

When the hearings were held on the construction code the representatives of the building-trade organizations made an attempt to have embodied in the code the wage regulations, so far as wages were concerned, and the 30-hour week as provided for by the act. We found the employers' organizations combating any attempt that we might make to have the 30-hour week provision placed in the construction codes. When these codes were signed we found they contained a provision for 40 hours a week, with certain exceptions that would make it possible for contractors to break down the conditions enjoyed and established by the organizations for a great many years. These codes contained certain exceptions that made it possible, if time was lost due to inclement weather or other reasons on Monday or Tuesday, the employer could demand that the men work Saturday and Sunday to make up the 40 hours per week.

Other exceptions provided that where jobs were located in so-called "isolated places", application could be made and permission granted that would permit the working of 48 hours per week. We say there is no such thing in this country, with very few exceptions, as an isolated section. Many have small automobiles, and due to the great amount of unemployment, if it is even talked about there being a job within 100 or 200 miles of the place where the building mechanics are located, three or four of them can jump into a little broken-down machine of some kind, and there will be so many men at the job that conditions will arise such as did arise in the construction of the Boulder Dam, where provision had to be made to provide trucks to take the unemployed workers back away from there. They came even to that isolated spot to secure employment.

Now, a sop was held out to the building-trades workers in the hearings on these construction codes. We had no opportunity and no chance from the start to establish the 30-hour week provision in those codes, nor did we have an opportunity to establish the minimum wage scale for skilled mechanics, the minimum wage scale that now prevails in P. W. A. operations. Deputy administrators in key positions and administrators that heard the construction codes gave no consideration to the demands of labor, and when these codes were signed not one single demand of labor was given any consideration.

Immediately after the codes were signed the deputy administrators that were very active in these hearings resigned their positions and

were established as executive secretaries by the different contractors' associations to administer the codes.

The representatives of the legal department sat in hearings upon codes affecting the members of our organization, subdivisional codes, and where the subdivisions of the industry were agreeable to establishing a shorter workweek with a minimum wage for skilled mechanics, they were told they were not representative and that no consideration was given to those codes, and they were led to believe and were told that unless they agreed to a code patterned after the master code of the construction industry, their code would be given no consideration.

There was a provision finally inserted there as a sop, making it possible to establish areal agreements for the purpose of establishing hours and wages under the construction codes for skilled mechanics. Naturally, the membership, the unemployed members throughout the country, had heard the National Industrial Recovery Act was going to increase wages and decrease the hours of work, and when we were unable to have the 30-hour week made a part of the construction codes, it was thought best to take advantage of that provision to establish wages and hours by areal agreements signed by the President that would bind all employers of bricklayers within a given area.

Certain stringent provisions were thrown around the establishment of areal agreements by the legal department, presided over by Mr. Richberg, of the N. R. A.; but in New York City our organization was able to satisfy the legal department that they were representative within that area, and we filed an agreement arrived at by collective bargaining, setting forth a wage scale of $1.50 per hour. That agreement was filed, and we had to go out and secure statistics showing that we represented practically every bricklayer within that area before the agreement was given any consideration, and then we had to relinquish many conditions dear to the workers that we had been able to establish and maintain over a period of 40 years, and reduce our wages from $13.20 to $12 per day, in order to secure that areal agreement.

We secured the areal agreement, and we were told by the legal department of the N. R. A. that when that agreement was signed it was binding upon all employers of bricklayers within that area. That was the first areal agreement signed under the construction codes. After several months the Edison Electric Co. started to erect a building in New York at one of their plants. They employed bricklayers other than their maintenance men, men they secured from the street, at $10 per day, $2 per day less than the wage provided for in the areal agreement signed by the President.

Complaint was made to the compliance board, and the Edison Co. then appealed to Mr. Richberg's legal department, and the legal department, without giving any consideration to how it affected the workers in the industry, rendered an opinion that the Edison Co. was not bound by the provisions of the areal agreement approved by the President, and that they could pay bricklayers anything they wanted to in their construction so long as they paid at least 40 cents per hour, which was the minimum wage in that code.

We were told that agreement was predicated upon the fact that the definition in the masons-contractors' divisional code was a contractual definition and not a functional definition.

Senator NORRIS. What is the difference between those two?

Mr. BATES. Well, Senator, I can't tell you. You will have to find that out from some of the legal minds. But I want to tell you this: That not a word was ever said at any public hearing by the representatives of the legal department that, in all of these hearings, the areal agreement would not be binding upon all employers of bricklayers within the area. They told us it would be binding, but due to the fact that the word "or" was left out after the word "and" in the definition of the industry in the code, that highly technical department decided the code was a contractual and not a functional code, and only bound contractors that actually worked by contract, and that an owner or an individual could employ bricklayers and would not be bound by the provisions of the code that would bind the contractors.

Now, since that date, since December, we have requested that in the codes of the construction industry, nine of them, that have been interpreted as contractual codes, they be amended so they will be functional codes, and to this date we have not been able to secure the desired results. That position of the legal department completely nullifies any attempt of our organizations under the construction codes to maintain a wage scale under the agreement signed by the President, because anybody can evade the provisions of the areal agreement by subcontracting all the work in their operations out to contractors and then by subterfuge contend they are employing the bricklayers direct.

Senator NORRIS. I still do not quite understand the difference there.

Mr. BATES. I cannot understand it myself, Senator. Our attorneys contend that the code binds everybody in the industry, but no matter what our attorneys contend, or anybody else contends, the legal department of the N. R. A. in their technical rulings decide otherwise.

Senator NORRIS. They held, as I understand you, that these codes are contractual.

Mr. BATES. That is right.

Senator NORRIS. Did they hold, then, that if they were functional they could be disregarded?

Mr. BATES. No; if they were functional, they would bind everybody in the industry. But we are complaining of the fact that the legal department stopped there. They were supposed, I take it, to look after the interests of the workers in the industry as well as the industry. They sat in the hearings on these codes and they knew at that time that the codes were contractual, and they made no mention of the fact, but led the representatives of the workers in the industry to believe that they bound everybody within the industry.

Senator NORRIS. Was that decision based on those two words "and" and "or"?

Mr. BATES. The fact that the word "or" was left out after the word "and" in the definition of the code, which goes along and describes the industry.

Senator NORRIS. And their decision, as I understand you, meant that if the word "or" had been inserted, the decision would have been different?

Mr. BATES. That is right; but we can't get that word inserted.

Under the P. W. A., as I said before, we find in many localities even now they are working two shifts of 6 hours a day. With the passage of this enormous appropriation we hardly expect that there can be any great amount of employment for our members brought about for a long period—a year or more.

We trust that the committee will report favorably upon this bill, and that the bill will be passed. I don't see any other method whereby men can be placed back at work and removed from the relief rolls except to shorten the workday and make it possible for the amount of work available to be divided among these men that have been unemployed for so many years.

Now, Senators, I want to close, and say that we hope our members back home will not be disappointed by this Congress. We hope this bill will be passed, and we don't see how industry can object to the passage of this bill, unless they can come forward and advocate some plan, which they have not done in the past, to make it possible for these 11 or 12 million unemployed people to be now placed back to work.

Senator AUSTIN. Who are the parties to this regional agreement?

Mr. BATES. The parties to the agreement were our several organizations in the New York area, about eight of them, and all the contractors' associations within the area, with the exception of one small contractors' association located on Long Island, that objected to the area agreement; but all the large contractors' associations were in it.

Senator AUSTIN. It was not a tripartite agreement between the Government, the employers, and the employees?

Mr. BATES. Well, it was to a certain extent, because of this reason: The first agreement that was filed that was satisfactory to the workers and the employers was filed with the administration, and when the public hearing was held they bisected and added to and changed it so that you couldn't recognize it. They didn't even permit us to enter into collective-bargaining agreements in the real sense of the word. They told us that that condition could not go in the agreement. We had had that condition for 40 years, and they told us that would have to be taken out before they would consider it. They said, "We will rewrite that section for you." After they changed the agreement to suit the legal department we had to take it because of the fact that there were 14,000 bricklayers unemployed over there, and they were eagerly looking forward for something to be done to maintain and establish the conditions they had and stop the contractors from reducing their wages from time to time, as they had been doing.

If the 6-hour day was to be established in New York tomorrow for bricklayers, they would only receive 7½ cents less an hour now under the 6-hour day, if they were paid the same, than they received under the 8-hour day in 1929. That is the way our wages have been reduced.

Senator MCCARRAN. I do not quite understand that statement. I should like to have you clarify it a little.

Mr. BATES. The wages for bricklayers in New York are $12 now for 8 hours. If we were to receive $12 for 6 hours, we would get now just 7½ cents less than we received in 1929 for 8 hours. We received $15.40 for 8 hours in New York City in 1929.

Senator AUSTIN. Where you have the 30-hour rule, such as you referred to in Massachusetts and California, as I recall, how long has that been tried out?

Mr. BATES. It is in effect now in San Francisco in the building-trades organizations. They have a 6-hour workday established by agreement with our employers. The same thing holds good in Lawrence, Mass.

Senator AUSTIN. Was that under a State law or was that under the N. R. A.?

Mr. BATES. No, sir. It was just an agreement arrived at between our union and our employers to establish the 6-hour day so that additional men could be placed at work.

Senator AUSTIN. That was a purely voluntary arrangement?

Mr. BATES. Voluntary.

Senator AUSTIN. It has been operating for how long?

Mr. BATES. The agreement in San Francisco has been in effect since last summer. The agreement in Lawrence, Mass., has been in effect since last fall sometime.

Senator AUSTIN. Can you tell us how many additional employees were taken on as the result of that arrangement?

Mr. BATES. Well, I couldn't give you the exact number, but I was in San Francisco in October and I found that practically all the local residents of San Francisco were working, due to the fact that there were repairs being made on schools and a large Government job under construction.

Senator AUSTIN. Under that arrangement were the same wages retained or was there an increase per hour?

Mr. BATES. There was an increase per hour in Massachusetts, to provide the same, practically, for 6 hours that the men received for 8. In San Francisco the men were not so fortunate. They sacrificed some wages to secure the 6-hour day.

Senator AUSTIN. In your opinion, are those agreements working out satisfactorily to the employees?

Mr. BATES. We have no complaint at all. We hear no complaints from employees on P. W. A. jobs where they are working 6 hours a day, 30 hours per week.

Senator AUSTIN. Do you know whether that arrangement has had any effect upon the amount of general work in the vicinity, after it was made?

Mr. BATES. No; I do not. It is absolutely, you might say, no work outside of the work finances wholly or in part by the Government.

Senator NEELY. The subcommittee will now recess until 2 o'clock this afternoon, at which time I am assured there will be someone present to be heard.

(Whereupon, at 11:10 a. m., a recess was taken until 2 p. m. of the same day.)

AFTER RECESS

At the expiration of the recess the subcommittee reconvened, Senator Neely presiding.

Present: Senators Neely, Hatch, and Austin.

Senator NEELY. The committee will please come to order. Mr. Alifas, you may proceed.

STATEMENT OF N. P. ALIFAS, PRESIDENT DISTRICT NO. 44, AND NATIONAL LEGISLATIVE REPRESENTATIVE OF THE INTERNATIONAL ASSOCIATION OF MACHINISTS

Mr. ALIFAS. Mr. Chairman and gentlemen, I have been requested to appear here this afternoon in behalf of our association in support of the bill introduced by Senator Black, S. 87. What I may have to say about the bill I think is in conformity with the general viewpoint of our association. As far as possible, I will avoid repeating what Mr. Green, the president of the American Federation of Labor, so ably presented to you a few days ago, and will devote my remarks to attempting to show what the alternative will be if industry succeeds in preventing the enactment of this legislation and also the social-security legislation that is pending before other committees of Congress.

I want to talk on the alternative as being perhaps an incentive for them not to block this legislation. As I understand this legislation, it has for its purpose the absorption of about three and a half million of the unemployed by dividing up the work which is now being done in industry, and also to prevent a reduction of the earning power of the workers, and to shorten the working hours to 6 hours per day and 5 days per week. I also hope it will mean that the cost of living will not be increased to take the purchasing power away from them, because, after all, their earnings do not mean anything, except what they can buy with them.

The theory also is that the enactment of this legislation by putting a large number of unemployed men to work, will reduce the competition for jobs, and thus bolster up the collective bargaining power of labor, and by that means the power of the employer to reduce wages to his own advantage will be reduced by the amount of additional bargaining power which the bill will provide for the employees.

I want to say to begin with that one of my earliest political lessons was that capital is timid; that at the slightest intimaion of danger it goes into hiding and until it is reassured that the possible danger has been removed it remains there. That has been intensified recently during the last year. Industry claims that it was afraid to proceed because it did not know what the President's program was. When the President announced his program it was claimed that they were still fearful because they did not know what Congress was going to do. More recently they were hesitating about starting up business because they were afraid of what the Supreme Court would do about the gold clause in the bonds. They are afraid of organized labor. They are afraid of its bargining power, and I don't think they propose to permanently enter into collective bargaining with an organization as effective and powerful as is the American Federation of Labor. They appear to want a type of organization which has little bargaining power, something that is ineffective, and unless they can get that they hesitate and express their fear about operating industry.

Then there is the general claim that unless the antitrust laws are repealed, they are still going to be fearful, and will not be able to

113926—35——6

operate. I am pointing out those things because unless they overcome their fear in such a way as to provide a living for the American people, there must be some other alternative, some other way of relieving this condition. The reason I point that out is because as a mechanic the proposition was always confronting me that if I did not do my job properly I would be fired. The employers invented that threat, and they should not object if we should intimate that unless they do their job of providing employment and a living for the American workers, an alternative may be adopted whereby employers will lose their jobs.

We know also that Government has been organized for the purpose of protecting the people against certain types of robust individualism which takes the form of organized brigandage and other forms of organized robbery, and that when the scene changes in such a way that people are being exploited, by peaceful methods, to be sure, but by equally effective methods, our Government must do something to prevent this exploitation of the people.

I want to say that I was heartened a few days ago by a radio address by Senator Wheeler in which he advocated the Government operation of the railroads. A distinguished member of this committee, Senator Norris, has constantly advocated Government operation of electric power. Our Government has been in many types of business. We construct our own battleships and manufacture war materials. We print our currency. We run a Government Printing Office. We run a Bureau of Standards, which is a highly technical institution. We dig canals. We operate a Post Office Department. We build roads. We operate a public-school system, and engage in various other kinds of Government business activities.

I would like to say to the committee that the plan I am going to suggest was prepared by me on April 3, 1933. While I did not intend to do anything with it at the time, I just prepared it to have something on hand in case it became necessary. At that time, you will recall, we almost had an economic debacle in this country, and I felt that some suggestion ought to be made as to what ought to be done. I presented this plan to the White House and the Department of Labor. I am not going to say that anybody read it, but I did my best in presenting it and said nothing more about it.

A few weeks ago I had the pleasure of listening to an address by the Hon. Donald R. Richberg at the Shoreham Hotel, in which he was outlining the efficacy of the N. R. A. and his opposition to the Government going into business. I cannot quote him directly, but as clearly as I can recall he stated in effect that, of course, if we were to adopt a national planning scheme in industry to be operated by the Government the problem would be comparatively simple. Just for a few moments I want to explain to the committee how really simple it is. The only thing that is not simple about it is that it will be necessary to convince a lot of men who during all their lifetime have been thinking in terms of robust individualism as the only effective way of doing business in the United States.

Up to date the old conventional methods of stimulating business and restoring prosperity have failed. Private enterprise has been unable to find a large market for its goods; and individual employers and corporations have been unwilling to risk their capital in producing goods for which there was no purchasing power.

There are approximately 210,000 individual manufacturing plants in the United States, which depend upon purchasing power generated elsewhere for the sale of their goods. Inasmuch as each one is waiting for the other to start his plant, due to fear of each one of losing his capital, the industrial machine has become "stalled"; and besides, it would appear that under our system of industry, each industry operating independently of the other, it does not generate the necessary purchasing power to perpetuate itself; but must rely upon a large reservoir of purchasing power existing outside of its own regime, upon which it might feed for a time until this extraneous purchasing power has been absorbed, and finally become the property of the owners and operators of industry collectively.

In 1929 the total business of the United States amounted to approximately $85,000,000,000. The current rate of business in the United States has now dropped to $38,000,000,000, a loss in purchasing power of the American people of $47,000,000,000.

With business aggregating $85,000,000,000, industry was by no means operating at full capacity. It is, therefore, conceivable that if all business could be started up at once, thereby creating purchasing power for the mutual exchange of goods, an aggregate of purchasing power could be developed ranging anywhere from 100 billion to 125 billion dollars per year, without speeding up the wage earners but merely putting on additional workers. It must be remembered that in 1929 we had an unemployment population of about 3,000,000; and since that time 2,000,000 young people have arrived at maturity annually who should have an opportunity to enter industry and provide themselves with a livelihood.

As stated above there are approximately 210,000 manufacturing plants in the United States, each one of which has a nucleus of employees upon their employment eligible lists skilled in producing the articles which the factory turns out, and capable of stepping into the factory and turning out a perfect product, and at the highest production capacity which the factory has heretofore attained. It is also reasonable to suppose that each of these factories has a sufficient amount of surplus skill, to enable each factory to absorb its proportional share of the unemployed, including the 6,000,000 young people who have reached the age of maturity since 1929, and who should be provided employment. When we speak of employees capable of turning out in perfect condition the product of these factories, we include the foremen, superintendents, and managers who understand the technique of the business.

During the period of the war our Government commandeered the railroads and operated them. This provided a superior degree of efficiency compared to the manner in which the individual railroad companies would have operated them for the purposes of the large-scale operations made necessary by the war. The United States Government had only one objective, that of service to the country. The private owners, each one operating independently, would have been influenced by considerations of profits and personal ambitions, thus "throwing the proverbial monkey wrench" into the machinery.

Since March 4 Congress authorized the bank holiday, thus commandeering temporarily the property of the bankers and the depositors, and depriving them, for the general good of the country, of the use of this property.

There is no essential difference on the one hand, between charging an American citizen, who has turned his property into gold and is hoarding that gold, with interfering with the general public welfare and on the other hand making the same charge against the individual who owns a factory and refuses to operate it for fear of losing money thereby; and who in effect is a "hoarder" of a species of property, the use of which is essential to the general public welfare.

In view of the above considerations among other things, the President of the United States should recommend to Congress a bill which the Congress of the United States would be justified in enacting, authorizing the President with the aid of a public-works organization, to commandeer all industry necessary for the production and distribution of the wants of the people, for the duration of the depression.

The owners should be compensated at the current rate of returns upon money, which is about 2 percent, based upon the physical valuation of their properties. This valuation should not be made prior to the Government taking charge, but should be determined as speedily as possible during the course of the Government's operation.

Some department of the Government, such as the Commerce Department, should immediately make a rough estimate of the quantity, required for 1 year by the American people, of each article in commercial use. An ordinary mail-order catalogue would disclose about 10,000 of such articles.

A census should be taken of all the manufacturing plants, coal mines, metalliferous mines, oil fields, and other production units, with a view to determine their respective capacities. After determining the total quantity of each article needed by the American people for 1 year, the establishments suitable for turning out these articles should be given a work order of a size in proportion to their capacity, and directed to call in their working forces and start on their years' production.

Employees should be paid off in commodity dollars, redeemable only in the goods turned out by the Government; and possibly it should be stipulated that the commodity dollars must be spent within 1 year in order to induce the redemption of them in goods, thus making the goods move.

Senator NEELY. What do you mean by "redemption in goods?"

Mr. ALIFAS. It means that they must spend the money within 1 year. He could accumulate 1 year's wages, but under this plan he would have to spend the rest of it in order to make the goods move.

A little later, as experience discloses the feasibility, a certain proportion of wages could be permitted to be withheld from circulation for the building of homes or providing for the proverbial rainy day.

To start with, all employees could be offered the prevailing rate of wages which they received when they last worked. Commodity dollars, which are redeemable in goods owned by the Government, would be as valuable for purchasing power as money which is backed by gold. The principal reason we must have gold or some other previous substance as a basis for our currency at the present time, is that gold or silver is about the only substance which has intrinsic value, which the Federal Government can consistently own, so long as the Government is restrained from going into business. If our Government enlarged its possessions to include other things, such as food, clothing, and other things which people purchase, an evidence of debt in the form of commodity dollars, would serve identically the same purpose as our present money; and our present money could be reserved for foreign trade; and for bridging the gap between the two methods of operating industry.

The writer would exclude farming, the newspaper business, the radio, and all amusements such as the moving-picture industry, baseball, football, and so forth, from this governmental operated system of industry. The farmers are substantially the only large group of individual producers in the United States, and need not be restrained from profiteering. The newspapers, the radio, and the moving-picture industry should be privately operated in the interest of free speech, and to preesrve the political liberty of the people.

The farm problem could be handled to the tremendous advantage of the farmers in the following manner. An estimate could be made of the contribution which farmers as a whole make to our civilization, corresponding to the value of the service of wage earners in industry. Inasmuch as the industrial workers would not be paid in accordance with the law of supply and demand, but would receive a wage in proportion to the average productivity of the country (taking into consideration his individual contribution thereto), the farmer would likewise receive his just share of the efficiency of this system of industry.

It is easily conceivable that while a farmer may at the present time receive less than $0.50 per bushel for wheat (considering only one commodity), it could be logically determined that under the new system, he should receive $1 per bushel for wheat. Similar increases in prices could be provided for other farm products.

If increasing the prices were the only action taken, the result might be a vast overproduction, in case each farmer determined to make all the money he could. This would glut the market with unusable goods. In order to prevent this, an estimate could be made of the total quantity of each farm product required by the United States for 1 year. This would show what proportion of last year's output would be required. It might be more or it might be less. For the sake of simplicity let us assume that the amount required was exactly the same amount as produced last year. Farmer Brown, for instance, sold 1,000 bushels of wheat last year at $0.50 per bushel. He should be entitled to sell the Government 1,000 bushels of wheat at $1 per bushel under this plan. If he produced more wheat than that, the price he would receive, should be sufficiently less than $1 per bushel, to discourage overproduction.

There doubtless is available information throughout the United States to show approximately how much each farmer sold last year. If the information is not available in detail, it could be approximated; and thus furnish a basis for parcelling out to the farmers the amount of farm products which the Government would purchase from each of them in a given period. If the farmer wanted to change his crops, he could be given the option of changing one class of crop for another of equal value. If the prices of the different classes of farm products were determined equitably, the law of averages should make this workable in such a way as not to have too great

a surplus in any one commodity, and still leave the farmer the power of choice, which he would consider a personal privilege of high rank.

The farmer, like the industrial worker, should be paid off in commodity dollars of equal value with the wage earners, and redeemable only in goods produced by this governmental system. The products of industry could be made the same as they are at present; if trade-marked articles were duplicated as nearly as possible; and there should be no difficulty about assuring all purchasers that they were receiving first-class goods, of the kind which their individual tastes demand.

Existing supplies such as food, clothing, household necessities, raw materials such as steel, building material, machinery, and equipment, now for sale and use in various lines of business, should be likewise commandeered and used in redeeming the commodity dollars which employees receive for their services, until such time as the Federal Government could make its own supplies available. The original owners of these supplies, would, of course, be compensated by payment in money or commodity dollars of equivalent value.

Uutil this production system could get under way, present legal tender would also be usable for the purchose of the same goods which are redeemable in /commodity dollars. The sale of such goods for "money" would furnish a reservoir of funds for the Government to use in its industrial operations, where it would be difficult or inconvenient to do the financing exclusively with commodity dollars.

In cases where farmers were carrying mortgages, and assuming that the baking system was likewise commandeered by the Government, a certain proportion of payments made to the farmer for his product could be applied to liquidate his mortgage.

In the event that the original wages set for the wage earners in industry was too low to enable them to buy a sufficient proportion of the product of the country so that there would be a huge unclaimed surplus, this dilemma could readily be corrected by declaring, periodically, a national dividend to all who participated in industry, much the same as the extra dividend is declared at the present time by industrial corporations who have a good business year. The surplus could also be disposed of by reducing the prices in such a way that commodity dollars already received could purchase more goods; or the surplus could be used in national undertakings in which the entire people benefit, such as good roads, public buildings, building a large navy, and so forth.

In other words, taxation could be eliminated altogether, and what is now performed with taxpayers' money would be performed out of the surplus created by the governmental-operated industry.

In order to make this plan work successfully it would be necessary to make it very nearly all-inclusive, in order that private individuals should not seize an opportunity to profiteer by creating for themselves a "corner" in some service.

The railroads, likewise commandeered under this plan, should have little difficulty in making ends meet from the viewpoint of present standards of wages and income of the original owners. They are in hard straits now because they have the hauling of their share

only of $38,000,000,000 worth of business. If the total output were increased to $100,000,000,000 or $125,000,000,000, the materials moved would have to be handled largely by the railroads. It should be possible to put the employees on a 5-day week, a 6-hour day, and pay the enlarged personnel substantially more than they are now receiving.

This plan would likewise provide a living for that element of our population that has been living on profits or unearned incomes, and is not accustomed to work. The owners of factories in industry would receive their 2 percent (or whatever it amounts to) on the physical value of their property; so that the holders of bonds and stocks would not be obliged to go to work or to perform any services whatever; and, therefore, they should have no serious objection to the rental of their property to the Government.

In the working out of this plan every American citizen doubtless could be provided an activity proportional to his skill and attainments. We would need hundreds of thousands of engineers, technicians of all kinds, scientists, industrial managers, efficiency experts, and so forth; and doubtless many citizens would prefer to render such "personal services" as the increased purchasing power of the wage earners and farmers would provide.

With the generation of so vast a productivity as herein suggested, it would be entirely practicable for the entire national debt of $22,000,000,000 to be paid off in 1 year. It would be possible out of this vast surplus to provide pensions for the aged; more adequate schooling for our young people, both academic and industrial; provide an all-inclusive public-health service; and provide for persons who might be either temporarily or permanently unable to provide for themselves, regardless of their age.

This plan of industry will provide the greatest amount of individual liberty the American people have ever enjoyed. The natural desire of people to make a living is a sufficient inducement to cause them to go to work without compulsion. Nothing in this plan remotely interferes with anyone's religious convictions or political freedom; and, furthermore, it removes the gaunt spectre of want, which is more responsible than anything else for crime and various schemes extant for oppressing our fellow men.

All that would be required to put this plan into effect and thereby restore employment to everybody who wants to work within 6 months is to convince the President and a majority of Congress that some such plan should be adopted.

Every Member of Congress and every Senator must realize that his political future is in jeopardy if the unemployment problem is not solved, at least in some measure, prior to the next general election. On the basis of the 12,000,000 unemployed, there is in every congressional district an average of 27,500 unemployed. Considering the fact that only 40 percent of our 123,000,000 population are wage earners, it shows that for every wage earner there are 2½ persons who receive support. This would mean an average of approximately 69,000 in every congressional district who are on the verge of want. It would be worth any stateman's while to give careful heed to, and to agree to a plan, which would provide for these people, even though a small percentage of the population will

be deprived temporarily of the privileges of exploiting their respective publics for their own personal benefit.

Opponents of this plan might claim that the same ends could be achieved if private enterprise were aided by the Federal Government in such a way that the owners and operators of industry would be permitted to operate their respective plants for profit, as at present; but this would permit them to avail themselves of the law of supply and demand in hiring labor and selling goods. That is, employing labor cheaply, according to present competitive methods, on the one hand, and, on the other hand, selling the goods at as "high a price as the traffic will bear", according to present methods. It will readily be seen, however, that under such a private enterprise plan there would result a vast accumulation of surplus product in the hands of the owners and operators of industry, and for which there would be no purchasers; and as a consequence the general wage-earning public then, as now, would starve in the midst of plenty.

Therefore, it would appear that as an essential to a vast scheme of production a distribution must take place which will result in the purchase of the productivity of labor, instead of in accordance with the law of supply and demand, which in its last analysis means that the wage earner will be compelled to work for far less, due to his dire necessity, than the estimated value of his contribution to the scheme of production.

Under this proposed plan and out of the vast surplus produced can be employed a large force in building construction. Suitable factories can be erected in small towns and villages in order to provide employment in the localities where the people actually live in order to avoid large shifts in the population.

Under the present scheme of industrialism, workmen of middle age are barred from industry. Even though so-called "prosperity" should return under the old regime of private industrial enterprise, there appears nothing in the offing to guarantee that this class of American citizen will ever be systematically inducted into industry. Our Federal Government, however, having the interests of all citizens at heart, could lift this bar to employment, and thereby vastly increase the productivity of the country and raise the general standard of living by the quantities of goods thereby produced.

With so vast an amount of purchasing power in the hands of the people, it would be necessary to curb the landlords to prevent profiteering on the part of that element of the population. If no better way could be found to curb their profiteering, the present rentals could be accepted as the status quo; and the taxing power of the Government could be invoked to absorb all increases in rentals above this level. On the other hand, if the present rentals should be regarded as too high, a tax could be levied of say 25 percent in all cases where landlords were unable to prove that they had reduced rentals 25 percent.

In any scheme of mass production of goods it is essential that the public should be educated up to the point of desiring those particular kinds of goods. In the event that under the proposed plan, goods were not being sold at the desired rate of speed, newspaper and radio advertising could be invoked by Government salesmen of outstanding ability, who now seem to understand how to whet the appetites of the public for certain classes of goods. In other words, men who know how to create desire in large-scale operations could be employed to stimulate sales and popularize the Government's industrial activities. On the other hand, if goods were moving sufficiently fast, the high-pressure salesmanship could be temporarily withdrawn, and thus an instrument is available to act as a "governor" whereby production and distribution would be balanced as to quantity of goods produced and sold.

Under our present competitive methods of operating business, supermen are required to handle large businesses, due to the fact that a large part of their energy is dissipated in combating other men of approximately equal ability, in carrying out their common desire of securing as large a part of the market for their industrial enterprise as possible. Under the proposed plan, men of great ability would likewise be required, but their energies would not be dissipated in fighting one another; and on most managerial jobs men of medium ability would quality due to the elimination of competitive opposition and interference.

In other words, under the proposed plan salaries ranging from $100,000 to several million dollars per year would doubtless become a thing of the past; and on the other hand, executive jobs drawing from $10,000 to $25,000 would doubtless become far more numerous than at present.

In times of war citizens are drafted for military service, in case it is felt that the promptings of patriotism will not net an armed force of sufficient strength to meet war requirements. In other words, human lives are commandeered for the national welfare.

Similarly (unless life is considered less important than property), in times of peace and national emergency, property should be commandeered for the general welfare in cases, like the present, when there is a deficiency of peace-time patriotism sufficient to restrain the owners and operators of industry, from sacrificing, not their lives but their production property in the general public interest, even though these favorite citizens may temporarily be obliged to forego the lure of large profits and easy money.

Similarly, statesmen who in times of war would not hesitate to draft an army to defend the country, should in times of peace be willing to draft industry for the general welfare, even though their own political futures might be jeopardized by the enmities of powerful leaders of organized business loath to relinquish their perquisites.

However, if a plan such as herein outlined resulted in restoring prosperity to our people, the public officials who had the courage to put it into effect, would have bestowed upon them the everlasting gratitude and united support of a sorely afflicted people.

In times of war we do not merely announce to the public that war has been declared, and then suggest that citizens or groups of citizens provide themselves with guns, war vessels, aircraft, and chemicals, and prosecute the war as individuals without governmental direction. No! We regard the carrying on of war as a governmental function. Yet when our privately-operated industrial machine breaks down and chaos is in the offing, with an economic debacle a strong possibility, we still persist in relying upon the inadequate powers of "robust individualism" and sturdy self reliance in place of united governmental action, to fight the war on the depression.

Our Federal Government has made a success of operating the postal system, maintaining public schools, building highways, digging canals, building naval vessels and producing war materials, operating high-class experimental stations like the Bureau of Standards, manufacturing money, and performing a variety of other intricate business activities. Why should we hesitate to embark upon this enlarged activity, regarding which success is almost a foregone conclusion?

If responsible Government officials decide temporarily to conduct "the business of making a living for the people" through governmental operation of essential businesses, our captains of industry, finance, and commerce, who have failed in their task of operating business, have no just complaint, even though their customary "rake-off" through "toll-gate" and "private-taxing-power" methods is temporarily withheld. No citizen has any inalienable right to the trade or patronage of his fellow citizens.

The evolution of business from individualistic production, craftsmanship, and hard labor, to mass production with increasing labor-saving machinery and processes, has progressively changed the mode of existence in the United States during the last 100 years, to such an extent that our present methods of production cannot be regarded as one of our national institutions, which, regardless of consequences, must be preserved intact, like our form of government.

The plan herein discussed is regarded legal. It does not require any change in the Constitution. While it would change our national business relationships, and substitute "service to the public" for "individual gain at the expense of the public", there is nothing involved which appears inconsistent with the highest and noblest of our national traditions and ideals.

Inasmuch as measures taken to date to relieve unemployment are not designed to restore the 12,000,000 unemployed to their jobs within a few months, but are expected to correct existing economic abuses. in the hope that ultimately, in the course of a few years, the number of unemployed will be materially reduced, in accordance with alleged sound existing business practices, it would seem that our public-spirited American officials and citizens should be willing to take a chance on something new; since it appears quite evident that only something which is different from what has been attempted before, and on a vaster scale, will meet the situation.

Senator Neely. Are there any questions?

Senator Hatch. Do you think the things you have been submitting to the committee are necessary to make the 30-hour week a practicable proposition?

Mr. Alifas. In answer to that, Senator, I would say that industry at the present time is resisting the enactment of the 30-hour-week legislation, and like many people when they don't want to do something they spend their time finding reasons why they can't do it. Then after legislation has been enacted they devote their time to trying to carry out the purposes of it until they find they can do it. Industry naturally does not want Government operation of industry. I am addressing myself to this proposition as an alternative, not only to the committee or to the Congress, but to those who oppose the legislation. I was in hopes that we might say something that would induce them to go along with us on this proposed legislation. If they don't know what some of us have in mind to propose in the event they succeed in defeating the legislation, they might fight it all the harder. If they are not kept in the dark as to what we are going to do, then they might see the wisdom of not opposing the legislation. That is my principal reason for making these suggestions.

Senator Hatch. To be frank with you, my thought was that if this is coupled with a 30-hour week it will kill the 30-hour week in the United States Senate.

Mr. Alifas. It is not coupled with it. It is not proposed to add this to the bill. It is proposed to let the bill go through Congress to avoid this alternative.

I want to say there is very little I can add on the actual merits of the bill without repeating what other witnesses have said.

I will conclude my remarks by expressing the hope that the committee will report the bill favorably and secure its enactment in the Senate, and if possible persuade the House of Representatives to approve the Senate action.

I would like to have my statement incorporated in the record for the information of any who might want to read it.

I thank the committee for its indulgence.

STATEMENT OF HARVEY C. FREMMING, PRESIDENT OF THE INTERNATIONAL ASSOCIATION OF OIL FIELD, GAS WELL, AND REFINERY WORKERS OF AMERICA

Senator Neely. Mr. Fremming, you may proceed, if you are ready.

Mr. Fremming. Mr. Chairman and gentlemen, at the outset and before I go into what I have to say to the committee, I have one or two statements I would like to make for the benefit of the committee.

At the present time the organizaion which I have the privilege of representing, the oil workers of this Nation, are pressing their case before the Petroleum Labor Policy Board, which is a Government agency under the Petroleum Administration. This case has been continuing since December 3, and the record thus far contains approximately 2,000 pages and some 120 or more exhibits. The source of the factual information in connection with the case is approximately the same as that presented by President Green of the American Federation of Labor, so I am not going to trespass upon the patience of this committee to go into statistical data.

I will, however, not necessarily for the record, but for the information of this committee, refer to the statement of Professor Saxon, as the same is related directly to petroleum in that proceeding, and the cross-examination of Dr. Saxon at the time of his testimony before the Petroleum Labor Policy Board.

Senator Neely. Does that testimony include a discussion of the 30-hour week?

Mr. Fremming. Yes, sir. That is the important part of the entire matter. There are some other related matters in connection with the cross-examination. If the committee should like that, I should be glad to prepare a copy and send it to you. It is quite lengthy, however.

Senator Neely. In the opinion of the Chair that would be pertinent and might be interesting and helpful.

Mr. FREMMING. I am certain it would. I shall be glad to do that.

I am approaching this subject perhaps somewhat cynically, if you do not mind that statement. After the experience we have had with the great institution known as the "petroleum industry", we have learned some very important truths, and many of them are reflected in my statement. I qualify the statement I am about to make with that remark.

As we traverse the economic lane of our industrial society, unfettered, wide-eyed observers, it is with but little difficulty that one sees the predominant reasons for the economic ills of the Nation.

The doctrine of "success at any price" is clearly written upon the guideposts of the lane: mass production and more mass production; reduced unit costs, unrelenting.

Technological development is being applied to a point approaching the fourth dimension; production without limit, with not one thought given to the science of distribution, the one instrumentality which permits technological production to maintain.

Foolish giants—captains of industry basking in the sunshine of their economic egotism continue along aimlessly, knowing not where the trail may lead them, just so long as profits are maintained. Poor, deluded children, they who follow a will-o'-the-wisp: Power! Believing that because they are kings over all they survey, all must be well.

Their creed, their philosophy, is profit at any cost.

As these captains of industry sit idly by in their palatial offices, clubs, or homes, they fail to hear that clarion voice which is the need for sustained purchasing power. Of little importance to them is this command if it seems to threaten in the slightest their sacred profits—an effront to their great god—Mammon. Nothing pleases in their kaleidoscopic picture except profits.

Economic justice and economic security for the workers; the vast purchasing power that makes these gentry captains; to them this doctrine is just something to jest about—foolish, arrogant humans.

To them every forward, honest, fearless student and thinker is just one more "Red"; they satisfy their amenable conscience by the pet epithet, "Red." Red, pink, black, or blue—economic law cannot be thwarted by such processes of reasoning. It is the most real thing existing in our entire industrial commonwealth.

The 30-hour week is not a phenomenon; it is merely a normal transition. Just as we transcended from cannibalism to barbarism, from slavery to serfdom, from the iron and copper age to the great achievement known as the "bronze period", from an insipid agricultural country to the ranking industrial nation of all the world. These preceding eras were definitely marked by the same sort of resistance placed in the way of normal progress. The same selfish, blinded influences which are holding back normal economic law as it reflects itself in the 30-hour week have lived to see the phenomenal evolution of pony express to mail planes, oxcart transportation to modern trains and air transports, spinning wheels to looms, horse and buggies to automobiles, the telephone and telegraph, Fulton's first steamboat to the modern speed liners. Almost all of these scientific achievements of man's ingenuity have been accomplished within a century. Yet profiting captains still think in terms of the

bow-and-arrow period when producers of the Nation, the workers, are involved.

True, that temporary sedatives have been used to compete with economic law. "Share the work" was the slogan under Hoover's administration—to divide up weekly earnings with fellow workers in the name of economic solvency said the "boss."

The "boss", so-called, failed utterly in his efforts at logical reasoning. He should have reasoned that, with the vast purchasing power lying prostrate he had become engaged, no doubt unwittingly, with the unthinking forces who were, in fact, leading industry into economic suicide.

Thus goes the story of industrial leadership in America—joining with the National Manufacturers Association, National Chamber of Commerce; in the petroleum industry, the American Petroleum Institute, in an effort to continue the use of artificial means to hold back the forces of natural economic law. Completely pushing back the one factor which has kept and will continue to keep the profit system alive in the United States, and that one factor is purchasing power.

It appears incongruous to a student of economics, it does appear incomprehensible to the vast army of enforced nonconsumers, and even ludicrous—were it not a genuine tragedy by reason of the necessity for ordinary creature comforts.

What are the purposes of the 30-hour week law?

1. To decrease the man-day productivity.
2. To reabsorb millions in gainful employment.
3. To resuscitate a lost purchasing power.
4. To take from the charity rolls many who throughout their lives have been producers.
5. To save this Nation from the despotic rule of "dictatorship."
6. To permit the continuance of the profit system.
7. To place our entire industrial society on an equal competitive basis.
8. To decentralize wealth through the painless instrumentality of sustained purchasing power rather than the creation of a new economic order.
9. To reassure working Americans that there is a job for every willing hand.
10. To maintain and continue our present modern civilization.
11. To practice in fact the doctrine laid down by Holy Writ—that "Labor is worthy of its hire."
12. To know and understand the doctrine of technological development and its relationship to increased productivity.
13. To keep in step with natural and normal economic laws.

Finally, to build in this Nation an economic tranquillity in proportion to normal transition, leaving behind unnatural industrial traditions.

All of which are in the interest of the maintenance of our present profit or capitalistic system, none of which can be accomplished unless jobs are made available with a commensurate purchasing power.

The 30-hour week means in effect that a wellpaid worker steadily employed is the Nation's greatest asset.

That is the extent of my statement.

Senator NEELY. It is very interesting. Have you anything else to offer?

Mr. FREMMING. I do not have it with me. I will prepare it and be glad to send it to the committee.

Senator NEELY. I think the committee will be glad to receive it.

Senator HATCH. I wonder how many are employed normally in the petroleum industry.

Mr. FREMMING. We break that down into two items. One is producing, refining, and transportation; the other is marketing. In the producing, refining, and transportation end of it there are approximately normally employed 225,000. In the marketing end of the business there are normally employed about 850,000, which includes service stations and plants and distribution units, such as trucks and things of that kind.

Senator HATCH. What percentage is unemployed now?

Mr. FREMMING. I can just tell you that the Bureau of Labor Statistics has just completed a comprehensive survey of the employment roll in the petroleum industry, and we believe it will be available the early part of next week. Our best available figures are predicated upon employment trends as they reflect themselves in reports submitted by the reporting companies to the Bureau of Labor Statistics, upon which the trend is established. The employment is off approximately 23 or 24 percent. But it must be remembered that this is the only industry whose consuming factor has not only been maintained throughout the entire period of economic dislocation, but has been increased. The consumption demand has been increased, despite the fact that millions of automobiles that were formerly in service prior to the depression are now out of service. In spite of that fact, the consuming demand for petroleum products has increased over the all-high period, if that is conceivable to your mind. That is different from the durable goods industry and things of that kind. It is about 22 or 23 percent, from the best estimates we can get.

Senator NEELY. Thank you very much.

Are there any other witnesses present who wish to speak on the subject before the committee? If not, the committee will adjourn until tomorrow morning at 10:30.

(Whereupon, at 2:50 p. m., the subcommittee adjourned until the following day, Wednesday, Feb. 6, 1935, at 10:30 a. m.)

THIRTY-HOUR WORK WEEK

WEDNESDAY, FEBRUARY 6, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee reconvened, pursuant to adjournment, in the committee room, Capitol, at 10:30 a. m., Senator M. M. Neely (chairman) presiding.

Present: Senators Neely (chairman), Hatch, and Austin.

Senator NEELY. The subcommittee will please be in order. Mr. Levy is the first witness.

STATEMENT OF AUSTIN T. LEVY, HARRISVILLE, R. I.

Mr. LEVY. Mr. Chairman, my name is Austin T. Levy, Harrisville, R. I. I am president of the Stillwater Worsted Mills, a corporation manufacturing worsted textiles, and employing something over 1,500 persons.

Mr. Chairman, if you will permit me, I will address myself to the bill in a somewhat roundabout way.

Senator NEELY. You may proceed in your own way.

Mr. LEVY. It is now 19 months since the National Industrial Recovery Act was passed. Never, short of a dictatorship, has any government been granted such powers to deal with a national situation as were conveyed by this act. With our untold wealth, with unlimited power at our disposal, we have failed in 19 months to solve this problem of unemployment and the numerous difficulties that arise out of it. During all that time we have steadfastly refused to deal with the fact of unemployment, but have allowed our attention to be distracted from it by every controversial subject that could be even remotely connected with our attempts at recovery.

There can be no recovery until general employment is reestablished in our land. Other national problems cannot be disposed of until this one is set straight, and when that has been accomplished all of the others will be on their way to fall in line, of themselves. Broadly speaking, we have no other problem.

Mr. Chairman, I appeared at the first hearing of Senator Black's 30-hour bill a little more than 2 years ago. There was nothing new or strange in what the bill proposed. Sixty or seventy years ago, 12 hours was the standard workday. Ever since, in all lines of business, the working hours have been reduced from time to time, and these reductions in working hours have always been accompanied by increases in pay; and as the hours were never reduced and the pay increased the prosperity of this country went forward.

Even the recent publication of the Brookings Institute, opposing the 30-hour week, has this to say:

In the 30-year period from 1900 to 1929 the working hours in American industry were reduced on the average from about 57 to approximately 50 hours per week. While this 13-percent reduction in the length of the working week was occurring there was a rise in the per capita income of the American people of approximately 40 percent. All classes shared in this improvement.

If these facts are correct, and everyone knows that they have been often repeated in our country's history, what reason have we to believe that a continuation of the same process will not bring about the same results?

Civilizations are stages in social progress and, to a considerable extent, any industrial civilization must be an expression of a wage scale. I presume that by Government edict, supported by public opinion, we could have almost any kind of civilization that we want. In Japan this is expressed by wages for textile labor of 31.6 cents a day; for agricultural workers in the Philippine Provinces, 29 cents per day; for silk weavers in Germany, 12 cents per hour; for male laborers in China, $4.75 per month.

Senator AUSTIN. Does that represent gold or Mexican money?

Mr. LEVY. These figures were compiled in 1931 and 1932, so we may assume they were talking about our gold.

These examinations of what civilizations are being maintained and what particular countries are paying are, of course, indefinite. They are innumerable.

For unskilled mine workers in India, 17 cents per day; for glassware workers in Czechoslovakia, $5 per week; for linen workers in Belfast, 20 cents per hour.

But the question that we must answer for ourselves is "What sort of civilization must we have here in the United States in the year 1935, in order that we may go on?"

Mr. Chairman, about the time when you and I were lads, the civilization of this country, as expressed in the lives of our industrial workers, was largely made up of what occurred in the places where they worked and in the places where they slept, and the wages and the production of goods and services were tuned to that condition. But the civilization of 1935 is a far different thing; now we demand for our population a more abundant life. We have built up the means for supplying a 1935 kind of civilization and unless we use these means that we have built up, we create precisely the problem from which we are now suffering. Every industry and service supports and is supported by all the others. No important part can halt without affecting the whole.

It seems self-evident that a civilization that demands and intends to supply what we now call a fairly abundant life must be based on a scale of wages that is higher than any scale that prevailed when life was less abundant. How is it possible to think of large-scale production of good house furnishings, of automobiles, of modern plumbing, of central heating, of silk stockings, to say nothing of education, amusement, and travel, on the wage scale of 1880? And unless there is large-scale production and consumption of all these items, and many others of the kind that are not necessary for existence or subsistence, this civilization as we have built it up cannot go on.

Fortunately, there is no alternative. It will not be possible for us to revert to our civilization of 1880; we have no choice but to go on.

The goal of the N. I. R. A. was clearly stated. That goal has not been attained. On the contrary, unemployment is now almost as great as it was when the effort was undertaken, and is said to be rising. We are now informed by the public press, correctly or otherwise, that it is the intention to ask for legislation continuing this unsuccessful venture a good deal in its present form.

If this is so, Mr. Chairman, it does not seem to be an intelligent thing to do. If the N. I. R. A. has not achieved its goal, there must be reasons why it has not, and it must be possible to find out what those reasons are. To continue with a mechanism that has failed in its objective and holds no new promise of success is not common sense. I believe that some of the reasons why the N. I. R. A. has not reestablished a more general employment can be set forth and that a program can be devised that does not continue its errors.

In the first place, the man-hour stipulation in the codes were not based on intelligent considerations of established or prospective requirements—and the unemployment results are evidence of the correctness of this statement.

The makers of code no. 1, the cotton-textile code, decided that the 40-hour week was what they wanted. That was acceptable to the Recovery Administration and, I believe, was the basis for the 40-hour provisions in the majority of the codes that followed.

Then came our failure to create a scale of wages sufficient to sustain the kind of civilization on which we all insist. This point seems so simple that it should hardly be necessary to dwell on it. And yet it is almost the crux of the whole matter. It is merely a statement that if an individual wishes to live on a certain scale, he must have an income that will support that scale. Likewise, if millions of individuals wish to live on a certain scale, and we insist that they must, then these millions of individuals must have incomes sufficient to support that scale.

We may not lose sight of the point that we no longer allow the millions of individuals who make up our population to decide on what sort of scale they will live. From the social side, we demand for them a scale of living that is represented by our 1935 civilization, and on the economic side we demand of them that they be liberal consumers of all the things which we now produce.

Closely related was the attempt to cope with this subject of wages by establishing minimum wage rates. This would be ludicrous if the results had not been so tragic, and it is doubtful if there is, even now, a clear conception of the difference between minimum wage rates and minimum wages. There is reason to believe also that in many cases minimum wage rates have become maximum wage rates.

A wage rate means nothing at all to a man who is out of work and it means very little more to a man who has employment for only 1 or 2 days a week. Wages can be regarded only from the standpoint of annual income. There is no person in this room, Mr. Chairman, who could order his existence and budget his life and of his family on a minimum hourly rate for his services, with the number of hours unknown.

Then there is the fact that the code system of the N. I. R. A. presumes a disinterested, voluntary cooperation by the proprietors of industry. A disinterested cooperation, Mr. Chairman, seems about as realistic as platonic friendship. There was cooperation for a brief moment under the fear of impending national disaster, but the cooperation, and the fear, and the disaster all melted away at the same time, so that we ended up in every industry with various groups trying to originate, to amend, and to interpret the codes according to their several advantages, not according to the national necessity, not according to the need for reestablishing general employment.

Nothing can succeed that is accorded unwilling acquiescence by those who have to carry it on. And it is no individual criticism to say that unless some compelling fear prevails, human beings act according to their own self-interest. Any belief that they will not so act is to deny the experience of human nature, and to rely on that belief is to invite the bitterest disappointment.

Mr. Chairman, these matters of which I have spoken are basic flaws in the conception of the N. I. R. A. I have not spoken of its application or administration because I believe that it is so constituted that it cannot be successfully administered, and the experience tends to bear out this opinion. The Black bill, in its original form, was simple and workable; it should have been tried. Its shortcomings, whatever they may have been, would have manifested themselves quickly enough and one step after another could then have been taken, as necessity might indicate, to bring it to perfection.

Objection to the original Black bill was made mainly on three counts: Firstly, its inflexibility; secondly, that it proceeded on the theory of scarcity, and that it would have resulted in freezing production at a given level; thirdly, the increase in costs due to the wage increases that would arise under it, would hamper business by discouraging consumption.

What I shall presently propose answers the first two objections, assuming that they are valid. As to the increased costs which a short work week might bring about, what is the cost of sustaining the present situation? It is said that we have spent $14,000,000,000 for relief of one kind or another since the depression began and the economic security bill, which is now before the Congress, contemplates the assumption by the Government of such huge liabilities as to dwarf any previous conception of public debt. Surely that part of industry which is opposed to the shorter working week on the grounds of its expense, must understand that all of these proposed expenditures can only be paid for by those who have the ability to pay and that industry will be called on to pay its full share. There is, besides, the gravest doubt that these huge new expenditures will accomplish what is required.

In addition, we must consider the money loss in wages. When 10,000,000 are completely out of work and 10,000,000 more are employed half time, the wage loss on a basis of $4 per day is something more than $150,000,000,000 per annum. To this direct wage loss, there should be added in such circumstances, the indirect losses that follow in the wake of such great unemployment. There is the decline in security values, in all sorts of property values, in dividends and interest; and these indirect losses may be as great or even greater than the direct losses. The two together are the equivalent of a market for the products of American industry, agriculture, and services, big enough to change depression to prosperity.

In connection with this matter of increased costs I should like to repeat the substance of something I said at the hearing on the original Black bill.

In 1912, a weaver in the worsted business, if he was a good weaver, earned $15 in a working week of 60 hours, or 25 cents an hour. If we were to pay a weaver $30 a week, or $1 an hour for 30 hours, he would still weave a yard of similar cloth at 57 percent less than the cost of weaving it in 1912 at 25 cents an hour. This is but an illustration of what is now well understood—that wages and costs have not necessarily anything in common.

Senator NEELY. Was the increase in the efficiency of the weaver to whom you refer the result of an increased efficiency of the machinery that was used in the manufacture of the product?

Mr. LEVY. Yes, Senator Neely. The plant operates at a higher rate of speed, and the actual output at each period is greater than at the prior time.

Not only have we the problem of the adult unemployed, but one of the most important and tragic phases of this whole matter is our inability to provide work for the boys and girls coming from school. We are imposing an enforced idleness on these young people at a time in their lives when they need work above everything else, and we are denying them their opportunity to fit theirselves to carry on when their time comes. Has anyone attempted to calculate the cost of this to the Nation?

Mr. Chairman, payments of money to the unemployed and their dependents may be immediately necessary to avoid actual want, but they do not answer the question. The American people do not want relief. They want occupation, and the spiritual and economic independence that can come only through occupation and reasonable assurance of its continuance.

Mr. Chairman, I think it is possible to control unemployment in the United States and I wish to submit a plan by which this can be done. I believe it expresses the essence and purpose of the original Black bill, amended and amplified to incorporate the knowledge that has come to us since the Black bill was first introduced, and that it avoids the pitfalls of the N. I. R. A. Whatever else may be said about it, it is mercifully short and simple.

I should like to preface the plan with a statement of the conditions on which the plan is based.

No system of wages has recognized:

1. A wage earner conducts a business. His skill and his health are his capital; his wages are his income and the maintenance and education of his family are his expense.

2. The hazards of business are inherent in the wage earner's business, just as they are in any other.

3. The wage earner's business should be classed among those which are extra hazardous.

It is a business that is subject not only to the immediate market for that which has to be sold, but it has added complications:

a. Periods of illness.

b. Advancing age.

c. The initiative for finding a market is not in the hands of the proprietor.

d. Whether or not there is a market at all, or the extent of that market, are dependent to a large extent on the skill, integrity, foresight, and financial strength of the wage earner's employer.

e. Employment and wages in any industry depend for their continuance on employment and wages in other industries.

The combination constitutes a situation that is extra hazardous as a source of income to maintain an uninterrupted standard of family life and progress.

Heretofore wages have been fairly satisfactory only during periods of good business, and unsatisfactory at all other times. They have not contained opportunities for gain that are commensurate with the risks.

5. Economic stability cannot prevail when the majority of all who are engaged in business attempt to proceed against unfavorable odds.

Heretofore fluctuations in total man-hour requirements, caused by fluctuations in business activity, have been met by corresponding fluctuations in the numbers of people employed. Thus our whole industrial system is based on a philosophy of interrupted employment, and ever-present reservoirs of unemployed people. It would seem that this is a fundamental error, for in any period of frequent employment interruption, the average wage earner's business, with its continuing expense, is preordained to failure. We must evolve instead a system that is based on a philosophy of continuous employment.

Every Commonwealth is limited as to the number of unemployed persons which it can reasonably and comfortably sustain. That number should be estimated and stated, and thus established as the normal of unemployment.

Employment for the balance of the working population should then be continuous, only the extent of the employment of each individual fluctuating according to the fluctuations in business activity.

The following is suggested:

The President announce by Executive order:

1. Normal unemployment for the United States, exclusive of people confined in hospitals, asylums, prisons, and so forth, is 3,000,000 persons between the ages of 16 and 65. Whether it is actually three million or two million or two and a half million is immaterial. You get a beginning, which is subject to correction from time to time.

2. The 40-hour week having failed to reestablish a condition of general employment, a 35-hour week becomes effective in all industry at once for a period of 60 days. If at the end of that time unemployment has not been reduced to the normal of 3,000,000 persons, a 30-hour week becomes effective at once for a period of 60 days. If at the end of that period unemployment still stands above 3,000,000 persons, a 25-hour week becomes effective at once for a period of 60 days.

3. The point at which the figure of 3,000,000 unemployed is reached will then constitute normal weekly man-hours for the workers of the United States.

4. The weekly wages being paid at the present time to be maintained during such successive reductions in working hours as may

be required to arrive at normal unemployment; the wage rates being increased to the extent necessary to bring this about. Thus full-time present wages will become actual minimum wages, entirely divorced from the confusion of minimum wage rates as established by the codes under the N. R. A. Minimum-wage rates have no meaning unless people have continuous, full-time employment.

5. When total unemployment is further reduced by the Nation's needs to 2,900,000 persons, weekly man-hours may be increased not exceeding 5 hours per week above the normal. When unemployment is reduced to 2,800,000 persons, weekly man-hours may be increased not exceeding 10 hours per week above the normal. Whe unemployment is reduced to 2,700,000 persons, weekly man-hour hours may be increased not exceeding 15 hours per week above the normal.

6. The weekly pay to be increased in proportion to the increase in hours above the normal.

This plan provides:

1. Constant employment of the population.
2. A true minimum wage.
3. Substantial reduction in the risks of the wage earner's business.
4. Periods of relatively large gains as offsets to the remaining risks.
5. Practical removal of the cause of the majority of so-called "labor disputes."
6. An increase in purchasing power to take care of increased production whenever increased production is created.
7. Reduced cost of production as production rises, thus further safeguarding the increased production.
8. A quick curb on overproduction whenever overproduction occurs.
9. Steady industrial operation—reduction of losses due to plant stoppage.
10. A powerful influence on cutthroat competition and the related subject of price fixing.
11. The equivalent of a large reservoir of additional trained people in every factory in every locality whenever required.
12. An enormous majority group of people who never cease to be cash customers, thus assuring liberal and rapid circulation of money.
13. Accurate data on unemployment, which is scarcely less important than information on employment.
14. Transfer of the burden of public support from Government relief to private industry.
15. Return to normal taxes.
16. In every employer in the United States an ardent and active advocate for maintaining the maximum of employment.
17. The plan would automatically operate to draw workers from slack industries to busy industries, and accordingly would tend to establish generally the wages of those industries which are most steadily active, and which, as a rule, support the higher wage scales.

The mechanics of administration are fairly simple:

1. Every locality to maintain a registration office.

You have that in existence at the present time, only it is a relief office.

2. No one to be employed who is not registered.
3. Every person applying for registration to be registered.

4. And to receive a registration card.

5. At the time employment begins, each person to surrender his registration card to the employer, who would endorse it appropriately and return it at once to the registration office. Therefore the number of registration cards outstanding would be an accurate record of the numbers of unemployed persons who wish to work. Persons whose employment is terminated to secure new registration cards before they could be reemployed. (Provision to be made for cards of persons who die, or who cease to desire employment either temporarily or permanently.)

6. Registration offices in every locality to make prompt weekly reports each Friday to a central State agency, which in turn would inform the National Department of Labor, not later than the following Monday morning of the amount of unemployment in each State. Based on the information so received, the Department of Labor on the last Thursday of each month to make public declaration of the maximum weekly man-hours that could be operated by industry for the monthly period beginning with the following Monday morning.

The plan as I have outlined it to you is subject to a good deal of discussion. I will endeavor in the next few minutes to clarify some of the more important points.

EFFECT ON PRICES

Opposition to short hours and high wages arises from the belief that they cause great and insurmountable additions to cost, thus discouraging consumption.

Years ago when the production of the individual worker was relatively small this was true, but during the past 30 years technical progress has so increased the individual worker's production that it is no longer true.

In former times an increase of $5 in the weekly wages of a worker who produced 100 units of a given article in a week, was equivalent to an increase in cost of 5 cents per unit—but the same increase of $5 to the same worker who now produces 200 units weekly is an increase in cost of 2½ cents per unit—to the workers who now produces 1,000 units weekly the increase of $5 in weekly wages is an addition to cost of one-half cent per unit.

Thus as applied to the greatly increased production that workers in all enterprises are now giving us, wage increases are spread so thin that as additions to cost they are no longer of sufficient importance to discourage consumption. What is true of production personnel in this respect is also true of the cost of overhead, which is directly affected by shorter hours.

Two questions are asked regarding the operation of any plan to reduce weekly man-hours with a corresponding increase of hourly wage rates.

The first one is: How can a reduction in weekly man-hours be expected to increase employment? What will cause employers to take on additional people if man-hours should be reduced?

Current demand, whatever that may be, requires the services of a given number of people on any given basis of weekly man-hours. If weekly man-hours are reduced on a certain day, current demand

certainly will not decline on that same day; and in order to supply current demand, employers will be under the necessity of taking on additional people. It cannot be accepted that individually or collectively, employers will deliberately throw away the opportunity to satisfy their respective and established shares in current demand. On the contrary, each employer will make every effort in his power to retain his volume of business. If his equipment is fully engaged, he will consider addition to plant. But the equipment of American industry is not fully engaged, and, in most cases, the simple alternative will be followed.

The second question is: Will not the increase in cost brought about by a reduction in weekly man-hours operate against additional unit sales and thus against additional production?

On the day when reduction in weekly man-hours takes place there will be in existence large quantities of finished and nearly finished goods of all kinds. These will be available at old prices, excepting for such speculative influences as may make themselves felt. We need not be too concerned about this at the moment, because business just now is more interested in moving goods than in raising prices unduly. The present situation with respect to this is quite different from that which confronted the inception of the N. R. A. Then there were low prices and empty shelves; now there are high prices and surpluses of many kinds. There will be a lag of a considerable period of time before goods manufactured entirely under the new conditions can reach the consumer. But there will be increased expenditure, due to the increased employment, even before the arrival of the first pay day.

Not all of the things that people use increase in cost at the same time, or at the same rate of speed. Many of the important items that go to make up the cost of living increase quite slowly. Advances in this category also would lag for quite a long period before they could exert an appreciable influence on the cost of living.

Purchasing power is of two kinds:

a. Individual.

b. Total.

Whatever the extent of total purchasing power, it is of no avail as guarantee of large-scale business turn-over, unless individual purchasing power is large enough to assure consumption at such prices as may exist. Increases in cost can be absorbed only if they do not exceed the abilities of individual income and purchasing power.

A well-known economist sets the matter forth as follows: 100 workers employed 40 hours weekly at $20 will earn $2,000. Output, 100 units.

In order to produce 100 units in 30 hours, 133 workers would be required, and at $20 they would earn $2,660.

Thus the increased wages or purchasing power due to the reduction in weekly man-hours would be $660. And the increased cost of what was made would be $660.

If the matter were carried no further, the calculation would seem to show that the additional purchasing power that had been created by reducing weekly man-hours from 40 to 30 at the same weekly wages, would be required for the purchase of the same number of units; and that, therefore, nothing had been accomplished.

But such a calculation overlooks a number of factors which may not be disregarded.

From a theoretical standpoint, this calculation would indicate that the institution of such a plan would not result initially in increase of individual purchasing power, and that the first increase would come in total purchasing power. But that does not argue that the increase would be ineffective; its effectiveness would depend on the relation between the amounts of cost increase and existing wages.

Discussions on cost increases seem to proceed from the wholly untenable premise that present day wages are in some sort of proper relation (which may not be disturbed) to the cost of living, and that any increases in living costs will dislocate the entire arrangement and make these wages inadequate. This is a serious error.

Furthermore, there is great danger, from this theoretical approach, of confusing hourly or weekly wage rates with yearly wages, thus overlooking one of the most important phases and opportunities in the whole matter.

We cannot assume that full-time existing wages contain no margin whatsoever. On the contrary, there is conclusive proof that they do, because ever so many people are actually living on existing wages paid them for part time employment. By changing the employment of those already employed at part time to full time, we increase both total and individual purchasing power, making available on both counts the latent margin that exists in present wage rates.

It is safe to say that all of those now employed do not average more than 4 days' work in a 5-day week. Full-time employment, therefore, would mean an average gain of 25 percent in both individual and total purchasing power for those already employed. As we shall see, this increase is greater than the cost increase attending the plan. If the calculations which follow are approximately correct, this one item of full-time employment alone would create $132,000,000 of new purchasing power weekly. And, in addition, there would be the increase in purchasing power, both individual and total, of the whole wages received by those who would find reemployment due to the operation of the plan. This change from part-time to full-time employment would be the first step in the plan.

There are said to be, in the United States, 45,000,000 employable people. The plan contemplates continuous employment of 42,000,000 people. It is estimated that some 12,000,000 are unemployed, indicating an employment of 33,000,000. If these 33,000,000 people are working 4 days, or 32 hours weekly, they are providing a total of 1,056,000,000 man-hours weekly.

If current demand requires the services of 33,000,000 persons on a basis of 32 man-hours weekly with 80-percent pay, and assuming that the operation of the plan resulted in a 30-hour week with 100-percent pay, this same demand at 30 hours weekly would require the services of 35,200,000 people. The reemployment of 2,200,000 people at today's full-time weekly wages would be the second step in the plan.

If the 33,000,000 people now employed average $20 per week when employed at full time, they are now probably earning an average not exceeding $16 per week. In that case we are now creating a purchasing power from new wages of $528,000,000 weekly. If, due to the first step in the plan, these 33,000,000 persons can be employed at full time, we would then have a purchasing power from new wages of $660,000,000 weekly. If these 33,000,000 persons can be augmented to 35,200,000, due to the second step in the plan, we would then have a weekly purchasing power from new wages of $704,000,000.

It is reasonable to expect that an increase in weekly purchasing power from $528,000,000 to $704,000,000, 33⅓ percent, must so stimulate consumption beyond current demand as to then require the reemployment of 5,000,000 additional people, thus bringing total employment to 40,000,000 people and new purchasing power through wages to $804,000,000; that is to say, 33⅓ percent increase in total purchasing power cannot fail to cause 14 2/7 percent increase in consumer demand, unless there are offsets of corresponding importance, such as prohibitive prices. But such increase in cost as follows on the first and second steps of the plan is by no means prohibitive, and, as has already been pointed out, would be readily absorbed by the first step itself. The reemployment of this group of 5,000,000 people would be the third step in the plan.

Such huge increases in consuming ability would naturally increase the prices of raw materials, due to legitimate demand. Such natural price increases do not constitute a problem until they depart from the natural and become speculative, and their occurrence and maintenance are conclusive proof that they are not beyond the ability of individual purchasing power. These calculations have not sought to deal with such natural price increases because they are distinct and apart from increases artificially generated.

The number of people, or man-hours, that are required and that can be supported by a given industry depends not only on total consumption but on how many consumers are supplied by each producer; and, it is necessary to consider what this relation means in dollars and cents. To omit consideration of this phase is to disregard the whole development of the machine age.

For example, a certain worsted-textile factory employs 1,700 persons at an average wage of $20 for 40 hours of work. Its pay roll is $34,000 weekly. Its output is 75,000 linear six-quarter yards weekly. To produce this quantity in 30 hours, the number of people would have to be increased to 2,267 and the pay roll at the same weekly wages to $45,333. This weekly increase of $11,333 would amount in 52 weeks to $589,316.

Seventy-five thousand linear six quarter yards of cloth is the material for 25,000 suits of men's clothing. The output for 52 weeks would be 3,900,000 yards, which would be material for 1,300,000 suits of clothing. Thus the cost increase of $589,316 would be spread over 1,300,000 suits or 45.33 cents per suit. Assuming that the cloth in a suit represents, at its factory price, one-fifth of the retail value of the suit which is made from it, then the total advance to the consumer caused by the change from 40 hours to 30 hours may be calculated at approximately $2.25 per suit. While this approximation does not attempt to fix the rate of cost increase due to the plan on items in the suit other than its cloth, the figure of one-fifth is on the conservative side and should compensate for any error on the other account, if any such error exists. In this way the total in-

crease in cost to the consumers of 1,300,000 suits is calculated at $2,925,000.

According to the Census of Manufactures published by the Department of Commerce, per capita production of wool and worsted cloth in the United States for all apparel purposes, for the census years 1919–29, inclusive, was as follows:

Year	Linear 6/4 yards	Yards per capita
1919	315,608,000	2.99
1921	291,449,000	2.75
1923	354,014,000	3.35
1925	321,118,000	3.04
1927	304,203,000	2.88
1929	277,835,000	2.26

For the years 1919–27, inclusive, population figures of the 1930 census were used.

It would appear from the foregoing that 3,900,000 linear six-quarter yards produced by 1,700 people in the year 1929 supplied the wool and worsted needs for all apparel purposes for 1,725,773 people. That is, each producer supplied the needs of over 1,000 consumers for one of the prime necessities of life in the United States.

Thus, also, increase of $2,925,000 would amount to $1.70 per capita per annum.

Bulletin No. 357 of the Bureau of Labor Statistics, bearing the title, "Cost of Living in the United States", was compiled in 1918–19 and published in 1924. This is a survey of 12,094 families, an aggregate of about 60,000 people. According to this survey, the average number of persons in a family at that time was 4.9; thus a cost increase of $1.70 per capita per annum would amount to a family increase of $8.33 per annum.

In segregating from Bulletin No. 357, the expenditures reported for all of the items that are included in the linear six-quarter yardage tabulation herein set forth, it was found that this amounted to an average for the 12,000 families of $68.34 for the yearly period analyzed by the report. Against this amount, an increase of $8.33 is 12.2 percent. This figure of cost increase for this group of necessities may or may not represent the average increase on all the items that go to make up the cost of living that would accrue as a result of the plan, but with respect to this particular category of expense it is clear that a transition from 4 days of employment to 5 days of employment would produce an increase of individual income that would greatly exceed the increase of expense.

The United States still proceeds on a basis of family life, and when employment is general, many families count on more than one income. The item is of great importance. For instance, if income from present 4-day employment stands at 80, income from full-time employment will stand at 100. If in addition to this, average employment per family should increase only as much as from 1 to $1\frac{1}{10}$, average family income would stand at 110, an increase of 37½ percent over income now accruing to a family having only one worker employed 4 days per week. Since there are many major items of family expense which do not increase commensurately when the number of incomes in the family exceeds one, this item becomes an extremely important accession to family purchasing power.

This plan will steadily restore normal prosperity in the United States. Of course, such a plan involves a great many questions. I shall be glad to answer them, if I can.

Senator NEELY. Are there any questions?

Senator AUSTIN. I would like to ask Mr. Levy one or two questions. You referred to 1912, and I think you gave the average hourly earnings for that year, did you not?

Mr. LEVY. No; I said that in 1912, Senator Austin, a worsted weaver, if he was a good weaver, earned $15 per work week of 60 hours.

Senator AUSTIN. Were you engaged in that business in 1912?

Mr. LEVY. I was.

Senator AUSTIN. Could you give us the average hourly earnings in your industry in 1912?

Mr. LEVY. Not from memory. I can secure that for you quite readily.

Senator AUSTIN. Perhaps all my questions will result in the same situation, because I would like definite information, if possible. I wonder if you would be willing to take a memorandum.

Mr. LEVY. Indeed, I shall be very happy to do so.

Senator AUSTIN. First, I would like the average hourly earnings in your industry. That has relation to your particular plant or company.

Mr. LEVY. The Stillwater Worsted Mills in 1912?

Senator AUSTIN. Yes. Also in 1929 and 1934, or, if that is too recent, 1933.

Mr. LEVY. No; that is all right. May I interrupt to say that there were violent wage fluctuations between 1929 and 1934, but I think that I can get that for you.

Senator AUSTIN. What I ask for is the average.

Mr. LEVY. Yes, sir.

Senator AUSTIN. The average hours of labor for those 3 years.

Mr. LEVY. Yes.

Senator AUSTIN. The average weekly earnings.

Mr. LEVY. Yes.

Senator AUSTIN. The number of employees.

Mr. LEVY. Yes.

Senator AUSTIN. The aggregate weekly pay roll.

Mr. LEVY. Do you mean the average weekly pay roll?

Senator AUSTIN. Yes; all these are averages.

Mr. LEVY. "Aggregate" would not do that.

Senator AUSTIN. It should be average. I mean the total pay roll averaged.

Mr. LEVY. Yes.

Senator AUSTIN. I do not know whether you have any statistics that will show the cost of living, but if you can furnish me in that table the average weekly earnings interpreted in terms as of the 1929 purchasing power for the 3 years.

Mr. LEVY. May I express that in another way?

Senator AUSTIN. Yes.

Mr. LEVY. Taking 1929 as 100.

Senator AUSTIN. That is the basis. What were the average weekly earnings in terms of purchasing power for those 3 years?

Mr. LEVY. Might I answer it this way, Senator Austin: Taking 1929 as 100, what was the relative purchasing power contained in the wages of 1912 and 1934?

Senator AUSTIN. That is all right.

Mr. LEVY. That may not be so easy to get, but I will try to get it for you.

Senator AUSTIN. Then I would like to ask you if you have tried out in your plant any plan for regularization of employment?

Mr. LEVY. Senator Austin, do you mean steady and continuous employment?

Senator AUSTIN. Steady and continuous employment.

Mr. LEVY. That is a problem to which our company devotes more time and attention than any other problem that it has. We proceed on the belief that the industry as such has no purpose unless it provides a sane and reasonable life for the people who carry it on; that the supply of goods or services or whatever else may be included must be secondary to that primary purpose. And I can tell you without looking up anything that in the last 12 or 14 years employment with our company has averaged better than 48 weeks out of the 52 weeks in the year.

Senator AUSTIN. That is very interesting. What method have you used for regularizing your employment?

Mr. LEVY. The first step in regularizing employment in any business is for those at the head of it to believe that is his first job. When they so understand, when they so believe, when that is the cornerstone of their business faith, everything that they do contributes to carrying out that belief. Everything that we do, every step that we take, tends towards that end.

Senator AUSTIN. Yes; but that does not quite answer the question. What is the specific plan that you have adopted in your plant for doing that?

Mr. LEVY. Well, that is a very large question, and I will be very happy to answer it at length, if you have the patience to listen to me.

Senator AUSTIN. It is a very pointed question, it seems to me.

Mr. LEVY. Indeed, it is.

In the first place, this business does not take any profits out. It plows them back in. I am the principal stockholder in this business, and for the first 15 years or more I never had a dividend from it.

Senator AUSTIN. Beginning with what year?

Mr. LEVY. 1910. In no year, and that has been a very profitable enterprise, have the stockholders ever received more than 4 percent cash dividends. The profits of the business have been used as the means to secure the continuous operation of the business. They have been invested and reinvested in every kind of plan that could be found, and they also have been invested in very large amount in the secure living of the people.

Senator AUSTIN. Just what do you mean by the "secure living of the people?"

Mr. LEVY. We have a tremendous investment, Senator Austin, in modern and up-todate 1935 housing, which is rented at very moderate rentals.

Senator NEELY. How many houses does your company own?

Mr. LEVY. We house now, Senator Neely, pretty nearly 200 families. We are still bringing the housing conditions in our several communities to a higher and higher level.

Senator NEELY. What type of construction have you employed?

Mr. LEVY. In New England, as you may know, the common type of construction is wood. Almost all of our houses are completely modernized. They are spacious. There is a reasonable degree of privacy. There is a reasonable degree of embellishment and beautification. We endeavor to arrive at sane, comfortable living, to which we think the people are entitled, such as the business and ability of our corporation will support. There has to be a happy medium in all those things.

To answer your question further, Senator Austin, when it becomes difficult to sell, as it does periodically in our business, then again we must maintain the factory operations ahead of immediate profit.

Senator AUSTIN. You adjust the prices?

Mr. LEVY. To the necessity of keeping the factory going. We realize that we cannot always win in business any more than we can always win in bridge, but the expense of life goes on just the same.

Now, broadly, that attempts to answer your question.

Senator AUSTIN. Do you have the problem of applications for jobs which you cannot grant?

Mr. LEVY. I think perhaps the United League Club has a waiting list as big as ours, but I do not know anything else that does.

Senator AUSTIN. Can you give us any information as to the number of unemployed in your industry?

Mr. LEVY. In the wool textile industry at the moment?

Senator AUSTIN. Yes.

Mr. LEVY. I can get it for you.

Senator AUSTIN. Is it a large number?

Mr. LEVY. Well, the textile industry had a very difficult time from March 1934 to October. It came almost to a standstill. As a result of the vacuum it was a very difficult time, but we all became very busy again in October and have been busy until the present time. I think we are about to enter another phase of lessened activity.

Senator AUSTIN. When you arrive at such a point what do you do to solve the problem of unemployment in your plant?

Mr. LEVY. In our particular plant?

Senator AUSTIN. Yes.

Mr. LEVY. Well, the very thing that tides our business is the thing that keeps us going. The fact that we have put our money back and addressed all our energies to that point enables us to go on during dull times when other people cannot, and so we get by.

Senator AUSTIN. You continue to operate regardless of whether you have a market or not?

Mr. LEVY. We find a market, and we are able to do that because the money we have put back into our business, plowed into our farm, has made us more efficient than the majority of our competitors.

Senator AUSTIN. Where are your competitors located?

Mr. LEVY. Mostly in New England.

Senator AUSTIN. If they all did just what you do, have you any answer as to what would happen to the industry?

Mr. LEVY. Well, the answer is that they do not.

Senator AUSTIN. Assuming that they do.

Mr. LEVY. We cannot assume that, human nature being what it is. A good many people in business insist on spending their profits for things outside their business. That is a fact that we cannot get away from.

Senator AUSTIN. Is it a rational inference that if all engaged in the industry continued to manufacture at the same production norm through a depression, you would have a market glutted with your product?

Mr. LEVY. Of course, that is so; but you asked me what our particular business did.

Senator AUSTIN. I know, and I went a step further.

Mr. LEVY. The two things, in my mind, are not related.

Senator AUSTIN. That is to say, you would not recommend the adoption of your plan for the entire industry?

Mr. LEVY. Senator Austin, they would flirt with sure death if they did, unless they were on a basis that was comparable to ours, and therefore, wishing to live, they do not do it.

Senator AUSTIN. Of course. Is it also a rational inference that to operate according to your ideal would ultimately bring about the discharge of labor in the industry and increased unemployment?

Mr. LEVY. Senator Austin, the more technical efficiency industry achieves, the greater will be the amount of technological unemployment, and because of that it is necessary to adjust the hours of employment from time to time to meet that situation. Technological advances will continue to go on. We cannot harness the minds of men, and we do not want to, but we must adjust our civilization to take care of the things that happen to it from time to time.

Senator AUSTIN. As I understood your statement, you did not adjust the hours. You continued right through without adjusting the hours.

Mr. LEVY. I am referring now to a plan to adjust the hours in all industry, such as I have submitted to this committee.

Senator AUSTIN. But in your case you did not practice that?

Mr. LEVY. It is impossible to practice that in an individual concern. It must be done on a national scale. It cannot be done otherwise.

Senator AUSTIN. Then, reversing it, if the Congress undertakes by statute to compel all industry to operate as you do, it would drive men out of employment by destroying factories, would it not?

Mr. LEVY. No one has suggested that the Congress compel all industry to operate as we do.

Senator AUSTIN. Of course not. I am trying to arrive at your view of the effect of putting the whole industry on the same basis as your factory.

Mr. LEVY. It cannot be done.

Senator AUSTIN. All right. That is all.

Senator NEELY. Are there any further questions?

Senator HATCH. I am wondering if you are offering the plan you propose as a substitute for the present Black bill.

Mr. LEVY. I should like to have it so considered.

Senator HATCH. You do not think the 30-hour bill alone is sufficient?

Mr. LEVY. I think the 30-hour bill ought to have been tried 3 years ago. I think that what has happened since that time will make it much more difficult to try it now. I think that there are certain objections made to the straight 30-hour week which have some merit. I think that a flexible work week continuously adjusted to the needs of the people, provided that can be done simply, is better. We do not know what the right hours are. By some such method as I have proposed we can find out. The 30-hour bill, as now proposed, does not take into consideration the wage question. The matter of hours is connected with the wage question. The two are bound up together, and they cannot be separated. If we have a 30-hour week and pay people $6 or $8 a week, we cannot go on according to the civilization of 1935 that we have built up.

Senator HATCH. I was a little surprised at the 60-day period provided in your plan. Is that not a rather short time?

Mr. LEVY. Senator, how much time have we to deal with this? I think the criticism is justified. I think it would be better if a longer time could be had, but how much longer can we go on in this way?

Senator HATCH. Would 60 days be a sufficient length of time to really test it out?

Mr. LEVY. I think so. I would rather see it 90 or 120 days, if we had time. I am not positive that every point I have made on this is beyond debate. I think the point you make is quite debatable. But I feel that the time is very short at the moment.

Senator NEELY. We are very much obliged to you, Mr. Levy, for your interesting and enlightening statement. Personally I commend you for the humanitarian manner in which you operate your industry.

Mr. LEVY. Thank you.

Senator AUSTIN. Mr. Chairman, I should like to ask, when Mr. Levy sends the information I have requested that it may follow his statement in the record.

Senator NEELY. Yes. Send it to the clerk of the committee.

Is there any one else present who wishes to be heard?

If not, the subcommittee will adjourn until 2 o'clock tomorrow afternoon.

(Whereupon, at 11:30 a. m., an adjournment was taken until the following day, Thursday, Feb. 7, 1935, at 2 p. m.)

THIRTY-HOUR WORK WEEK

THURSDAY, FEBRUARY 7, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to adjournment, in the committee room, Capitol, at 2 p. m., Senator M. M. Neely (chairman) presiding.

Present: Senators Neely (chairman), Hatch, and Austin.

Senator NEELY. The committee is ready to proceed.

STATEMENT OF J. B. PREWITT, SECRETARY-TREASURER INTERNATIONAL BROTHERHOOD OF BOOKBINDERS, WASHINGTON, D. C.

Mr. PREWITT. Gentlemen, I am here in the interest of the International Brotherhood of Bookbinders, being secretary-treasurer of that organization. It is an allied organization with the allied printing trades, composed of the Typographical Union, the Pressmen, and so forth.

When our brief was entered before the N. R. A. hearing last September on the graphic arts code, we submitted data and charts showing that the 32-hour week would not absorb the unemployment in this industry. Our survey showed then that there were 40 percent of the allied trades totally unemployed. I can say, however, that there has been some improvement in that, possibly 10 percent. The last survey we had, which is not complete, but for 1934, shows a little better than 30 percent totally unemployed, and the other 70 percent only partially employed.

Senator NEELY. Can you translate those percentages into concrete numbers?

Mr. PREWITT. No, sir; I am speaking now for the entire trade; that is, the allied trades. I could not give you that in numbers.

Senator NEELY. Do you have any idea how many were unemployed?

Mr. PREWITT. No; I do not. I couldn't tell you that. I would say in our trades—well, I would have to guess at it. I couldn't give you the exact figure.

But we are heartily in support of the American Federation of Labor endorsement of this 30-hour-week bill, because we have found from experience, as I stated, that a great portion of our people are unemployed. We do not say the 30-hour week will absorb entirely all the unemployed, but we do know that it will have a great tendency to alleviate this great unemployment we are experiencing now.

I have here with me the brief that we presented if you gentlemen would care to have it. That was presented at the graphic arts hearing.

113926—35——8

and will substantiate the statements I am making. I will be glad to leave it with you.

Senator NEELY. Can you furnish additional copies of the brief?

Mr. PREWITT. I suppose we have at headquarters 40 or 50 copies of the brief.

Senator NEELY. If you will furnish that many copies, they will be distributed among the members of the committee and the other Senators.

Mr. PREWITT. I will be glad to do so. I don't know of anything I can say further about the legislation you have before you, other than to state that there is about a 10-percent improvement now, as far as unemployment is concerned, but there are still a great number of our people unemployed, and we are very much interested in the passing of this bill.

Senator NEELY. This brief sets forth the points that you desire to make?

Mr. PREWITT. Yes. sir.

Senator NEELY. Are there any questions?

Senator AUSTIN. Yes; I am interested in that change.

I understood you to say that you had 40-percent unemployment in September 1934.

Mr. PREWITT. 1933.

Senator AUSTIN. That was in 1933?

Mr. PREWITT. Yes, sir.

Senator AUSTIN. So that the improvement has been gradually accruing since September 30, 1933?

Mr. PREWITT. Approximately about 10 percent.

Senator AUSTIN. During that time were your hours limited by the code?

Mr. PREWITT. Yes, sir. Since the code was approved our people are working 40 hours. That is the workweek that is set out in the code, but only 30 or 40 percent of the total number now are working even the 40-hour week. You will see in the brief that we are averaging only about 37.1 percent, or we were in June 1933, of our members who were employed. The brief was submitted in September.

Senator AUSTIN. Thirty-seven and one-tenth of employment?

Mr. PREWITT. Of our total membership that many were employed.

Senator AUSTIN. What was the number of unemployed in June?

Mr. PREWITT. Those who were employed in the industry and working less than 40 hours a week was an average of 37.2 in June 1933. We were not then and are not now working the 40-hour week.

Senator AUSTIN. This is 37.2 which approximates the average for industry generally, does it not?

Mr. PREWITT. Yes; and applies particularly to our industry and the allied trades.

Senator AUSTIN. My recollection that the average for industry generally was 37.5.

Mr. PREWITT. Somewhere near that. Ours is 37.2.

Senator AUSTIN. I have no further questions.

Senator NEELY. That is all, Mr. Prewitt.

The subcommittee will adjourn until tomorrow morning at 10:30.

(Whereupon, at 2:15 p. m., the subcommittee adjourned until the following day, Friday, Feb. 8, 1935, at 10:30 a. m.)

THIRTY-HOUR WORK WEEK

FEBRUARY 8, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee, pursuant to adjournment, reconvened in the committee room, Capitol, at 10:30 a. m., Senator M. M. Neely (chairman) presiding.

Present: Senators Neely (chairman), Hatch, and Austin.

Senator NEELY. The committee will please come to order.

Senator AUSTIN. Mr. Chairman, before we proceed, do you mind if I make a notation in the record of some petitions that have been received?

Senator NEELY. Certainly not.

Senator AUSTIN. I would like to have the record show that there are on file with the committee petitions signed by employees of various industrial institutions, which were presented here by Senators from States where these institutions are located, as follows:

Reese Buttonhole Machine Co., Rochester office, Rochester, N. Y., presented by Senator Copeland.

These petitions are signed by numerous employees and are in opposition to the bill. There are several from the same set of employees, but they seem to have been circulated in different sections of the factory, so they are not really duplicates.

Here is one filed by Senator Bennett Clark, from the same Buttonhole Machine Co., but it is the factory located in St. Louis, Mo.

Then here are other petitions signed by employees of this company located in Boston, filed by Senator Walsh, of Massachusetts.

Attached to the last-mentioned petition are petitions signed by employees of other companies, also filed by Senator Walsh, as follows: Employees of the Johnson-Appleby Co., of Cambridge, Mass.; the Stetson Shoe Co., Inc., of South Weymouth, Mass.; employees of the Worcester Brass & Electric Plating Co., of Worcester, Mass.; employees of the Economy Machine Co., of Worcester, Mass.; employees of the Worcester Wire Works Division of the National Standard Co.; employees of the G. F. Wright Steel & Wire Co. of Worcester, Mass.

I also file petitions from the employees of Sleeper & Hockley, Inc., of Worcester, Mass.; employees of Groton Leather Board Co., of West Groton, Mass.; employees of the Musgrove Knitting Co. of Pittsfield, Mass.; employees of the Rodney Hunt Machine Co., Orange, Mass.; employees of the Gillette Carbonizing Co., of Lowell,

Mass.; employees of Cluett, Peabody & Co., Inc., of Leominster, Mass.; employees of the Holyoke Wire Cloth Co., of Holyoke, Mass.; employees of T. Morey & Son of Greenfield, Mass.; employees of Falulah Paper Co., of Pittsfield, Mass; employees of the E. F. Hodgson Co., of Dover, Mass.; employees of the L. L. Brown Paper Co., of Adams, Mass.; employees of H. E. Locke & Co., Inc., of Boston, Mass.

STATEMENT OF A. M. LOOMIS, REPRESENTING THE AMERICAN ASSOCIATION OF CREAMERY BUTTER MANUFACTURERS, WASHINGTON, D. C.

Senator NEELY. Mr. Loomis, you may proceed.

Mr. LOOMIS. Mr. Chairman and gentlemen, my name is A. M. Loomis. I am the Washington representative of the American Association of Creamery Butter Manufacturers, which organization represents in its membership approximately 40 percent of all creamery butter manufactured in the United States. My address is 630 Indiana Avenue, Washington, D. C.

I should say that the facts I am about to present come from a wide experience; more from that of others than from my own. I was born on a dairy farm and helped to handle milk and its products, and have represented this industry here for over 15 years. I was engaged in agricultural newspaper work upwards of 20 years in the dairy section of western New York. I am trying to qualify as an expert witness. I was 7 years secretary of the farm bureau of one of the leading dairy counties of the United States.

Senator AUSTIN. What county was that?

Mr. LOOMIS. Chautauqua County, N. Y. But much beyond my own experience I am using in this statement the experience of the leaders of our industry, our officers, and especially our secretary-manager, W. F. Jensen, a practical creamery owner and operator of plants in Kansas, Nebraska, Missouri, and all the intermountain and Pacific Coast States for more than 40 years.

Senator AUSTIN. Is that the same man who was with the Department of Agriculture—Dr. Jensen?

Mr. LOOMIS. No; this man was born and brought up and spent his entire life in the creamery industry. He was born and trained in business in Denmark, and is considered one of the pioneers of the American creamery industry.

We are all in full sympathy with all measures that can be taken by Congress and by the administration to revive agriculture and business activities and to bring faith and hope to American labor by increasing employment, and to bring faith and hope to American agriculture by increasing the market for our products.

My appearance here is not for the purpose of presenting criticism or interfering with constructive work. It is rather my purpose to point out, from practical experience, those essential points which you should know in connection with the labor question in the measure now before your committee as applied to the manufacture of extremely perishable food products, among which are milk and cream and the products processed by manufacturers therefrom, especially butter, cheese, and the by-products of sweet milk and buttermilk.

A 30-hour week and a 6-hour day, we are convinced, cannot successfully be applied to these manufactured products, because of practical considerations which cannot be changed by law. A limitation of hours of work might be applied successfully to such products as are not perishable, in connection with which the day's activities can be ended at a definite time, without incuring spoilage; or, in other words, activities that can be conducted within definite time limits or, in some industries perhaps, where double shifts are possible, and in connection with raw materials of which quantities can be kept on hand without spoilage.

Creameries and cheese factories are not in this class. They begin the day with bare floors, or with only such stock as may be accumulated within less than 24 hours, and labor therein is definitely governed by the delivery of the raw product to the plant, namely, milk and cream, as it comes in each day.

Milk must be delivered each day in order for it to arrive sweet; but the greater part of all deliveries comes from the farm in the shape of cream, and the farmer brings his cream to town when it is convenient for him and when it is most economical for him to do so. Forty percent of all cream deliveries arrive at the creamery on the last 2 days of the week, when the farmer does most of his shopping in town. Bargain day in a town where there is a creamery will often bring in as much cream as any three ordinary days. The farmer does most of his shopping in town on such days, and that is the real market. The other 60 percent comes to the creamery during the other days of the week, and some is delivered on Sundays, when the farmer comes to church. Conditions of that sort cannot be changed in any way, whether by law or otherwise.

Other conditions also affect deliveries. A farmer may devote himself to field work, when the weather is favorable to such work, and does not come to town. Stormy days occur in the summer and very cold snowy days in the winter, which are periods when the farmer may not come to town for several days. In other words, the creamery has no control, and this proposed measure gives no control. An even definite delivery cannot be assured every day or even at stated intervals.

Cream is transported on trucks and on trains, and here, too, there are unavoidable delays, so that it can be seen that milk and cream as it comes to the creamery cannot be made subject to definite working hour limits, due to the great variation in quantity and delivery. You should understand that in a very large part of this industry the cream is delivered to the station, and not to the creamery. This may be the cause of considerable delay, as it is shipped by train or truck from the station to the plant.

Cows furnish milk every day, and that milk must be taken care of. It can be done as long as it remains on the farm, of course, within reasonable limits, but in actual practice cream deliveries are subject to weather conditions and to the desire of the farmer to economize on his delivery cost and to make his trip to town fit in with other necessities and with the weather.

When the milk and cream reach the creamery or cheese factory they must be promptly taken care of. They cannot be carried over until the next day, because at this stage deterioration is rapid. The

work in the factory must be completed each day as to the receipts of that day.

Day by day, ever more by seasons, hours of labor vary greatly, in churning, in cheese-making, in working and finishing the product and conditioning it for sale, and also in handling the by-products, such as dried milk powder, casein, buttermilk, and whey in condensed or powdered form. And I may say that we do not waste many by-products.

The condition of the milk and cream as it reaches the factory also varies. There may be a gassy condition due to extremely hot days, and there may be a high acid condition, or there may be undesirable flavors due to wild onions and other weeds. All of this requires additional work at times, but the products must be handled to a finish or they might spoil or be reduced from the grade or quality required for human consumption to a much less valuable product usable only for poultry or stock feed, involving heavy losses.

It is not possible to stop at any stage of the processing of a dairy product until it is finished. When the start is made it must be carried through to a finish. No method is known to the industry that would overcome the compelling necessity of finishing each day's operations on all of the products on hand.

The creamery industry is handling all the products offered to its plan. I want to emphasize that. It affords a constant daily market at a cash price for absolutely every pound of milk and cream which is offered to any plant in the United States. That is the basis of the stability of the industry, and it is a decided benefit to more than 5 million dairy farmers in the United States to have that constant market and that steady income available during the period through which we have been passing. The industry has maintained its full quota of employment during the hard years. Positive proof of this is the fact that in the year 1926 the total make of creamery butter in the United States was 1,451,766,000 pounds, while in the last year of record, which was 1934, the total make of creamery butter in the United States was 1,654,000,000, an increase since 1926 of 203,000,000, or about 14 percent in 1934 over the production in 1926.

The make of cheese has also been maintained and increased. Prices have been low, but production and factory employment have not been interfered with. Even the drought experienced during that period has occasioned very small change in the amount of milk and cream produced in the United States, except in two or three States, particularly South Dakota. There is less than 5 percent reduction due to the bad drought condition. The farmers found feed for their dairy herds because that was their source of cash income.

The labor employed in creamery plants is almost entirely skilled. A buttermaker must have from 2 to 3 years' training, including the necessary theoretical knowledge obtained only in an agricultural college. It takes nearly that long to train a cheese maker, who must also possess the theoretical knowledge, obtained in colleges. Such men as cream graders, testers, assistant buttermakers, and important helpers, all require training from 1 year upward, before they can take charge of work in dairy plants. The handling of these products requires the utmost care, not only from the standpoint of quality but also from that of sanitation, and the preservation of those important nourishing health-producing elements possessed by butter and also by cheese, in which the consuming public has faith, and on which a national educational program has been maintained for years, resulting in consumer demand for the entire production, including the rapid expansion that has taken place.

In connection with the proposed hour-limitation measure, the purpose of which is to increase employment and to establish double shifts, it is for me to show that this cannot be done with the dairy products I have described.

I have shown that there has been no decrease in employment in our dairy plants. Indeed, the volume is greater than it was before the depression began. I have shown that skilled labor is required—training that cannot be had in a few days, weeks, or months; that it takes years to teach men creamery- and cheese-factory work. Therefore, if these dairy products are included in the contemplated measure, and if double shifts of labor should become necessary, trained and dependable men cannot be obtained. They are not in existence in the numbers required to man the creameries and cheese factories with double shifts and to fulfill the responsibilities connected with such work, which involves not alone economics, but also human health, in preparing these important, highly perishable foods.

We will soon enter another period of heavy production. Cows will soon go on grass throughout the United States, and in the next 90 days production of milk and cream will increase to double the present output. It would be sheer impossibility to man 8,000 of these plants with double shifts.

There are about 4,500 creameries and approximately 3,000 cheese factories in the United States. Just as an exhibit I brought along this directory. It requires a directory of this size to list the cheese factories, butter factories, condensed and evaporated milk factories in the United States.

Senator HATCH. What is the number of each?

Mr. LOOMIS. Butter factories 4,500, and approximately 3,000 cheese factories.

Senator AUSTIN. How many pages are listed in that directory?

Mr. LOOMIS. The directory to the end of the factories listed takes to page 210. There is an introductory section of 15 or 20 pages, and a few pages of advertising. Then there are some 30 or 40 pages of business information concerning the distribution of the products, making up the last section of the book.

These plants vary in size from one-man plants to plants employing a hundred or more people. There are no uniform rules or methods of operation for different areas, and they vary according to weather and producing conditions, and require special training to cope with them in the various sections. Thus the skilled labor would not be interchangeable. Conditions in Texas are very different from those in Minnesota. The Texas colleges train men for work according to conditions that exist in that State; in Minnesota and Iowa they are trained for different conditions. So, as I said, this trained and skilled labor is not interchangeable between the States.

Our association has advocated and our members have observed the President's Reemployment Agreement to the best of their ability.

Employment has been slightly increased in the industry due to that agreement.

Senator NEELY. How much unemployment is there in the industry at this time?

Mr. LOOMIS. It is very small.

I am not able to give you more than a guess. There are no records for these small plants. I nthe large plants $ don't believe at the present time there is over 10 percent, at the outside, reduction in employment below the 1926 level.

As I said, our association has advocated and our members have observed the President's Reemployment Agreement, and will continue to observe the spirit of the proposed legislation; but we must protest a mandatory application of the hour limit. It does not lend itself to the character of our commodities, nor is it possible to secure the highly skilled labor necessary should double-shift requirements be applied.

The proposed measure has another serious feature affecting creameries and cheese factories, and that is the competitive condition that would arise as between interstate shipments and purely intrastate transactions.

Our industry differs from any others in that creameries and cheese factories exist everywhere, all over the Nation, and many are, or could be, operated strictly to supply the local market, and thus avoid the added costs which this measure would levy upon interstate operators.

Thus the plants which are now operating both interstate and intrastate would find themselves handicapped and perhaps faced with insurmountable obstacles, and would have to withdraw from the interstate business. That would be a serious upset to any industry, but especially in ours, which is so well balanced and has carried on without a break or let-down during the depression.

I believe, Mr. Chairman and gentlemen, that the proposed measure should establish a line of demarcation between industries, and that the measure should exempt the large and important industry engaged in the manufacture of butter, cheese, and byproducts.

Senator NEELY. Are there any questions?

Senator AUSTIN. On page 6 of the proposed act, line 18, subparagraph (b) of section 7, is this exception:

> Nothing in this act shall be construed to apply to agricultural or farm products processed for first sale by the original producer.

Will you please explain why, if it is true, that exception does not relieve your industry from the operation of this measure?

Mr. LOOMIS. We always give a good deal of attention to exceptions in measures of this kind, because of the fact that exceptions usually bring about extremely strained competitive relations. The important phrase in that, as we see it, is contained in the three words, "the original producer." That means and was apparently intended by the author to mean the farmer who makes his own butter and cheese on his own farm. We are convinced that is not the legal significance of that phrase; but that, while it means that, it also means the farm cooperative which make their butter and cheese in the plants operated by the real cooperatives. That includes considerably less than half, perhaps not over one-third of the total number in the United States, and would create an extremely

bad competitive situation as between those small plants, chiefly small plants, operated by farm cooperatives, and the large bulk of the industry which is divided half and half between small and large plants operated by private capital.

Senator AUSTIN. Are you aware that in large milk sheds, like New England, there is a constant conflict between distributors who are also producers, in the form of cooperatives, and those who are distributors strictly and not producers?

Mr. LOOMIS. Yes; we are very familiar with that.

Senator AUSTIN. Is it true that that is one of the most complex problems with which the Agricultural Department is now dealing?

Mr. LOOMIS. Particularly in the dairy industry, much more there than anywhere else. It is extremely competitive. It is causing all the trouble in New England at this time.

Senator AUSTIN. Do you know how far that extends over the country as a whole?

Mr. LOOMIS. In the fluid-milk industry, Senator Austin, it is quite wide-spread. It occurs in every area in which there are operating milk-distributing cooperatives of any material size. The increase in the number of producer distributors in the milk-distributing industry in the United States in the past few years runs into the thousands. The figures were put into the record at the N. R. A. hearing on the proposed milk distributors' code. I cannot repeat them, but they can be secured.

Senator AUSTIN. If this committee should be inclined to modify or amend the act, is there any amendment that you have in mind to take care of the bad results of the bill on your industry?

Mr. LOOMIS. I have not made a study to develop that language particularly, Senator Austin, but I should say—probably the members of the committee know this—that we have appeared before both the House committee and the Senate committee which considered a bill of similar import some time ago, and in both cases we secured the exemptions which we asked for. There has been practically unanimous action heretofore on the part of the committees to except dairy products. But this bill is drafted differently. It undertakes to reach the objective in a considerably different way than heretofore. I rather anticipated that question would be asked me and I looked it over a little bit this morning. I found so many places in it which seem to require changing that I did not get very far along that line. Perhaps I should call attention to the exception in the first section, which reads:

> *Provided*, That upon the submission of satisfactory proof of the existence of special conditions in any industry included herein, making it necessary for certain persons to be employed more than five days in any week or more than six hours in any day, the Secretary of Labor, or his duly selected representatives, may issue exemption permits with respect to such persons, relieving the employer from the provisions of this act, with reference to such persons.

That is a safeguard which, of course, is very essential in the general operation of any such wholesale legislation as this, but it does not seem to us, in the case of 75 to 90 percent of our industries, that such exemptions would be required or that we ought to be subject to that.

Then I read over in the bill and find that section (3 (a) ignores that. Section (b) seems to ignore it, and section 4 also seems to

ignore it, both in subsections (a) and (b). Section 3 covers the matter of governmental loans to employers. That is entirely without any exception. I am extremely glad to say that we in the dairy industry, except in a very few cooperative cases, have never asked for or wanted Government loans, but we could not possibly get a Government loan under this bill, even if we took advantage of the exception. The same statement, as I read it, applies to 3 (b).

Section 4 relates to codes of fair competition and agreements, and is drawn in such language that even if we took advantage of the exception and could work our employees more than 30 hours, we would be forbidden to take advantage of the provisions of the N. R. A.

Section 4 (b) refers to agreements which would invalidate our P. R. A. agreement at the present time.

When I noticed these particular things I just stopped thinking that I could easily draw an amendment, and I thought I would leave it in the shape it is in now.

Senator AUSTIN. You understand that the provisions of section 1 relate to persons and not to industry?

Mr. LOOMIS. Not to industry, but only to persons. It would simply make it necessary to create a large personnel record to try to handle the 10,000 or 15,000 or 20,000 people now employed in our industry.

Senator HATCH. Suppose you were granted an exemption to take care of your entire industry. That is your suggestion, is it not?

Mr. LOOMIS. That is my suggestion. That is what has been done when bills for this purpose have been considered heretofore.

Senator HATCH. You said, if I understood you correctly, there had only been a 5-percent reduction during the drought period?

Mr. LOOMIS. I should amplify that figure a little bit. What I intended to say was that the total reduction in the amount of cream and butter produced in the United States in the last year was only 5 percent below the previous year. The drought trouble was one factor, and the other was the eradication of diseased animals. Those two factors together have only caused that reduction. This industry has maintained itself without governmental aid or regulation of any kind ever since there has been a creamery industry, and has supplied just about the amount of butter which the United States uses. The export and import situation in general varies only a few million pounds one way or the other for 25 or 30 years. We now have a shortage of butter, which will continue until feed supplies come in.

Senator HATCH. And I understood you to say you have only 10 percent unemployed?

Mr. LOOMIS. I am making that statement very tentatively. I don't know. I am certain that it is not over that.

Senator NEELY. Thank you, Mr. Loomis.

STATEMENT OF WALTER MITCHELL, JR., SECRETARY OF CODE AUTHORITY OF THE FURNITURE MANUFACTURERS' INDUSTRY, WASHINGTON, D. C.

Mr. MITCHELL. Mr. Chairman and gentlemen, I am representing here an industry of something over 2,400 plants, reduced from about 3,600 in 1929 by the mortality of the depression, employing about 100,000 workers at the present time, which is reduced from a high point of nearly 200,000, not necessarily in 1929, because the peak of the volume in the industry was previous to that.

As representative of the furniture-manufacturing industry, I am instructed to express our opposition to the proposal for a rigid 30-hour week, because we believe it will hurt the business volume of the industry and the earnings of its workers. On the basis of considerable experience in compiling and analyzing statistics for the Department of Commerce, and from previous research in economic problems, I will also venture to point out some fallacies and mistaken deductions in the pamphlet recently published by the American Federation of Labor, with authorship attributed to Mr. William Green. Then, if desired, I shall be glad to file unofficially with the committee, a substitute proposal which several members of our industry believe would be a better method of attaining the major objectives described by this bill, namely, reemployment of our destitute workers and recovery of American industry.

The furniture industry is now and has been for over a year under a code. We feel that we have made a successful effort to comply with the President's Reemployment Agreement to begin with, and the industry expects to continue its effort at compliance. The average hourly wages from the low point in the spring of 1933 have increased from 60 to 87 percent in various regions. The individual plant increases were as high as 150 percent. On the whole these average wages advanced more than the minimum wages in many industries. An index of average hourly wages in the South with a 1929 base figured at 100 is as follows: 1930, 93; 1931, 80; 1932, 67; 1933, 107; 1934, 108.

One interesting feature of code operation, due to limitation of hours as well as minimum wages, is a jump in the labor content of our product about 25 to 33 percent. That is a general average figure variable depending upon the type of furniture.

The price increase necessary to cover the increased labor cost would run anywhere from 15 to 28 percent, or an average of about 22 percent. This is obtained by multiplying together the labor content of the manufacturing process and the rate of increase in the hourly wage, both of which figures are quoted above. However, price indexes show that the price increase from the same low point is only about 20 percent. Obviously, this does not include any of the increased cost of materials and overhead since it does not cover all the labor increases. The only conclusion possible, which is supported by the operating figures, is that the industry has been unable to pass on to the public a large part of this increased cost and has suffered severely from losses. Sales volume for 1934 showed a smaller total than for 1933 when many other industries were forging ahead. We feel that many other industries are subject to the same basic circumstances. In adjusting labor costs in the durable consumer goods industry we should remember that these products must compete with many other luxuries for the consumers' "spare dollars."

Furniture is an industry of small plants which have relied upon their flexibility for their very existence. It is difficult and may prove impossible for this industry to prosper under the rigid maximum hours set up in the code. The adverse effect falls directly upon

the worker. We found from a questionnaire which we recently sent out to 700 furniture manufacturers around the country, that over two-thirds of them found that the annual earnings per worker decreased under code operation, even though the hourly wage rates were considerably higher. The point is that this rigid limitation chops off the peaks of seasonal production but does not fill the valleys, cannot control the psychology of the retail trade or the consuming public.

Retailers who customarily order their fall requirements and holiday requirements in July, August, and September did not this year place their orders until October and November, practically all of them for rush shipment. The factories could not possibly expand their personnel rapidly enough to handle this rush of orders within the code hours. It would be hard to get a skilled worker acquainted with a strange factory in time to be of much use when the production schedule must be run off in 3 or 4 weeks; to say nothing of the problem of training green help. We were flooded with requests for exemption from the maximum hours but the N. R. A. was not equipped to act upon them quickly enough to be of any value. By the time one firm had refused an order because it would be impossible to produce it under the code restrictions, it was usually too late for the retailer to order from any other firm.

Senator AUSTIN. Have you a comparable percentage that could be set up against that average hourly wage to which you referred a short while back?

Mr. MITCHELL. Unfortunately I do not have that figure. I was examining this morning the report of the Bureau of Labor Statistics, which I think is not far wrong. There is a slight drop in the employment index, because of the failure to keep pace with the industry, but the pay-roll index appears to be fairly accurate, I can go into that, if you wish.

Senator AUSTIN. I will not take the time now, if you can furnish that later.

Mr. MITCHELL. I will try to do that.

A surprising thing to us as well as to labor theorists is that 94 percent of our factories find with shortened hours and increased hourly wages the unit cost of production has gone up faster than the wages; when we would have expected it to go down because of greater efficiency of workers under the shorter hours. Perhaps this is a temporary psychological difficulty arising from the greater safeguards thrown around the ranks of labor by the codes and the feeling on the part of many workers that they no longer have to put forth their best efforts in order to hold their jobs.

Because many of the workers need the extra pay during the peak period in order to tide them over in the slack period, this provision is probably not well enforced in the small towns. We suspect that in a number of cases the employer and employees conspire to violate the code for their mutual benefit and we never hear of it. That is a natural human tendency.

Senator AUSTIN. You say they "conspired." I have in mind many places where there are small factories surrounded by groups of houses. The labor market is very limited. The workers as well as the owners are interested in the continued operation of the factory. We will say a given factory has been in the red for years. The employees are making a living out of it, and the owners are making nothing.

Mr. MITCHELL. My choice of a word was unfortunate. I do not want to leave the impression that such violations are general. Apparently, some of the employers have paid their workers time and one-half while operating over the code maximum. The code would, of course, prohibit them from doing it at all. The point is that we feel the enforcement of existing labor provisions in the code would be of greater benefit to labor and the income of the laborers than would the enactment of a new law damaging the business confidence and still more difficult to enforce.

Senator AUSTIN. In your opinion, could such a factory operate under a measure of this kind?

Mr. MITCHELL. I do not think so. Rigidity works a hardship on these small-town plants. The employers and the workers have a common interest adverse to the principle of this proposed bill.

I believe that the 30-hour week has been largely self-enforcing wherever it is practical. If a plant has sufficient skilled labor in the neighborhood and sufficient equipment to operate on a 30-hour week basis it is likely to do so during most of the year. The men would be more efficient during the shorter hours and the plant would have a wide margin of increased production during the rush period by stepping up to the code maximum of 44 hours for a few weeks, without the expense and delay of training new help.

In the N. R. A. labor-policy hearing last week this industry filed a statement suggesting that code limitations on hours be adjusted to the natural seasonal cycles of the industries affected so that they would not damage business volume, curtail workers' incomes, and retard recovery. Over a 10-year period the mean average variation between the quarters in this industry have been as follows: First quarter, 24.6; second quarter, 21.7; third quarter, 28.7; fourth quarter, 25.0 of the years, which of course varies from one part of the country to another and from year to year. Special products, such as porch furniture and cedar chests concentrate 65 to 90 percent of their business in a single quarter. The third quarter in 1933, a period of false boom, amounted to 37 percent of the year's business. Therefore, even if the code limitations were made to fit the mean seasonal cycle of the industry many operators would be forced to find a method of reducing their seasonal fluctuations, or as an alternative, might be required to pay an overtime premium to their workers.

The above figures show a 40 percent variation between the high and the low quarter. If it is desired to give the workers an average of 40 hours of work, the variation should permit 20 percent above the figure and below it to take care of normal seasonal requirements; or a forty-eight 8-hour maximum during limited seasonal peak periods in each year. Seasonal fluctuations in this industry, and in many others, are the result of weather conditions and long-standing consumer customs. Any effort to change these by summary legislation will retard economic progress rather than accomplish the desired effect.

Many members of our industry agree with leading economists that the maximum degree of rigidity which can be safely introduced into a competitive capitalistic system is the fixing of minimum

wages which we have under the code, while rigid hours fall in a class with price fixing as damaging factors.

As mentioned in my opening statement, the second part of this statement will review certain figures and conclusions to be found in Mr. Green's pamphlet on the 30-hour week. I wish to call these to attention, not to embarrass the research staff of the A. F. of L., which I respect highly and among which are some of my good friends, but I believe that labor wants, as sincerely as industry, to support sound proposals based on sound arguments and not to be disappointed by more false steps in our effort toward recovery. I like to believe that industry and labor are coming nearer to cooperation and understanding through the meetings they have had around the N. R. A. council table. I fear that such statements as appear in this booklet may cause charges of ill faith and throw doubt about the many valid arguments in favor of labor's interests.

The dispute appears to center around the effect upon prices. Reports from the Brookings Institute and other economists predict that this bill would raise prices as much as wages and that, therefore, it is nothing more than a "share-the-work" movement. The A. F. of L says that it will raise prices much less than wages—about one-sixth as much or maybe not at all. The latter hope is one of the rabbits which is to be pulled out of the hat of increasing management efficiency.

In order to determine the truth, we must start our figuring by determining the labor content of manufactured products. Mr. Green, on page 26, says:

> If we take the share of wages in the total value of the product at 16.7 percent, it is evident that a 20-percent increase in the industry's wage bill would result in only a 3.3 percent increase in the price of the product. In this case the incentive to greater production in the form of increased purchasing power is more than six times as great as the deterrent—the 3.3 percent increase in price.

Note that the labor content of this country's output of goods is assumed to be 16.7 percent.

On page 18, Mr. Green says:

> In the 15 years from 1920 through 1934 unemployment prevented wage and salaried workers from creating $134,578,000,000 worth of wealth which might have been added to the national income. Of this, $86,130,000,000 would have fallen to them in wages and salaries, and $48,448,000,000 would have been the share of enterprises and property holders, if this wealth had been distributed according to the ratio prevailing during that period.

Note here that the labor content of the entire national income is 64 percent—$86,000,000,000 against $134,000,000,000. Perhaps the statisticians who looked up that figure did not realize it was to be used in the same book with the other percentage. For my part, I will admit that the comparison is not quite fair, because $86,000,000,000 undoubtedly includes some very high salaries paid by large corporations or organizations, only part of which would be spent for consumers' goods. However, the ratio is very nearly correct as anyone can ascertain for himself if he figures the labor content, at various stages, of any article reaching him as a consumer.

I have figured approximately the labor content in a piece of furniture at the time it reaches the consumer. It totals 56 percent, made up as follows, in terms of the labor content of the various factors:

Materials, 12 percent; manufacturing, direct, 16 percent; manufacturing, indirect, and service, 3 percent; transportation, 5 percent; retailing, direct, 15 percent; retail, indirect, and service, 5 percent. These are necessarily estimates at some stages, but are based upon university and Government studies of operating-expense ratios in factories, railroads, and retail stores. This estimate does not even include all of the "present labor" content of the article. I have not ventured to estimate such things as the labor content of purchased electric energy and miscellaneous supplies, and I have specifically excluded the labor content of buildings, equipment, and machinery. The labor content of these capital goods used in producing and distributing furniture is "past labor", the price of which will not be affected by present proposals. Nor have I estimated the increased content of retailing which may well have resulted from code restrictions, if our experience with the increased labor content of furniture manufacturing is any indicator.

The mistake lies in considering the labor content at only one of the many stages of the economic process, forgetting that the price increase will have to cover the increased wage bill at many stages. Furthrmore, in many industries we are constantly setting up more separate stages, dividing the labor on our final product between more different factories. In 1849, where these citations of census figures start, the buggy builder started his operation with a pile of lumber and some merchant bars. He made practically the whole buggy in his shop—wheels, axles, springs, box, and seat.

The labor content which he reported to the Census of Manufacturers probably ran up to 40 percent or 50 percent of the product. Today the automobile manufacturer reports about 13 percent of his product as labor. But he buys from other manufacturers his wheels, bodies, steering gears, generators, and a multitude of other parts and accessories. All of these are reported to the Census of Manufacturers by their respective makers, and all of them have a labor content which is truly part of the labor in the final automobile. An indication of this trend even so recently as during the past decade appears in the figures shown on page 47 of Mr. Green's booklet, where the labor content reported by automobile manufacturers declined from about 16 percent in 1919 to about 13.5 percent in 1933. During the same period the labor content of several other products listed on the same page changed hardly at all.

It would not be surprising if this trend toward the purchase of services and supplies formerly performed or made in the plant had continued in the period from 1929 to 1933, but such is not the case. Mr. Green, on page 34 alleges a decline in the worker's share of the value added by manufacture from 36 percent in 1929 to 31 percent in 1933; but on page 46 it will be noted that the 1933 figures on which these percentages are based are estimates. About 1 week ago, since the pamphlet was issued, the final figures became available from the census. They show $5,269,000,000 wage bill, against the A. F. of L. estimate of $5,239,000,000, an error of only six-tenths of 1 percent. The value of the product was estimated with almost equal accuracy. However, the estimate for value added by manufacture was $17,009,000,000, as compared with $14,610,000,000 in the final figures. This error of $2,400,000,000 constitutes a 16-percent overage against

a six-tenths of 1 percent underage in the other one of paired figures estimated by the same statistician. If the percentage is computed on the basis of the correct figures, it appears to be 36.1 percent for 1933, as compared with 36.4 percent in 1929, a negligible change in the workers' share.

Also, it should be remembered that a 25-percent reduction in hours from the 40-hour base in most of the codes to the proposed 30-hour base constitutes a 33-percent increase in the hourly wage rate, as compared with Mr. Green's assumption of a 20-percent increase in the paragraph cited above, page 26.

If that seems like mathematical jugglery, consider the $12 per week provided, under certain conditions, in the textile code. At 40 hours that is 30 cents per hour, or at 30 hours it is 40 cents per hour, or one-third added to the hourly wage rate. In considering this problem, we should also remember a long-standing business custom which I shall not try to justify but which has a very real influence on prices.

It is a wide-spread, almost universal practice, especially among small business men without expert accounting help, to determine the direct labor content of an article and add a certain percentage to cover indirect labor and overhead, a sort of "rule of thumb." You cannot change the habits of thousands of business men and bookkeepers overnight, and many accountants and economists think this alone would tend to make prices rise as rapidly as wages. It is further well known that speculative buying and other factors during a period of rising prices are likely to push prices up further than is really justified by the underlying economic factors.

We have already seen how and why the limitation of hours has cut off the peaks but failed to fill up the valleys in the seasonal cycle of the furniture industry. Apparently we are not alone in this experience. Mr. Green, on page 42, says:

> Looking back over 1 year of operation under the President's reemployment agreement and approved codes, we find that per capita weekly earnings are slightly lower in August 1934 than in August 1933; $18.89 as compared with $18.93. Yet there has been an increase in the cost of living. In August 1934 employment was 4 percent above 1933, notwithstanding a decline of 20 percent in production.

He quotes this adverse effect on "sharing the work" and of a declining volume of production as proof that we should have more of the same medicine.

On page 41, Mr. Green says:

> Between July and December (1933) production declined sharply, yet employment was maintained substantially, due to the President's reemployment agreement. Pay rolls and weekly earnings were maintained under the new program. The ability of industry to maintain employment and pay rolls while production was decreasing indicated that we might expect definite progress under the program adopted. In the period between December 1933, and May 1934, neither employment nor pay roll was increased proportionately to production increases.

In other words, he admits that industry did not lay off its employees in ratio to the decline of volume during the latter half of 1933 and then blames industry for not employing additional people when industry picked up again. The fact is that, with a maximum of 30 hours, many industries on the year's operations will do well to average 24, which might be called the 1-day week.

The American Federation of Labor seems to assume in this and other arguments that long hours are preferred by industrial management out of some willful cruelty; even at the expense of lower human efficiency in these long hours. The real reason why industry wants flexibility is that equipment is geared in most industries to normal requirements. Seasonal peaks have always been absorbed by longer hours of operation, and slacks have been met by part-time operations. Permanent workers need the extra funds earned during these peaks in order to tide them over the slack period. On the other hand, a few weeks of work during a seasonal peak would not justify a worker in moving to a new town even if he could be adequately trained in the short time available; and for that matter many workers do not feel that short-term employment warrants them going off the relief roll.

Consider the 30-hour proposal as an immediate factor in additional employment. Extra equipment to accommodate more workers, or to provide for night-shift operations is financially beyond reach of most of the manufacturers in the furniture industry and I believe in many other industries. Even if it were financially possible, installation of the added equipment could not be made in time to prevent much loss of business and loss of earnings to workers. Those who are financially able will be more likely to buy equipment when they recover confidence that the rules of operation are not to be changed too often or too radically.

While we are on the subject of finance, Mr. Green, on page 28, cites the trend of profit of certain selected companies in 1932, 1933, and 1934, and calls attention to 1934 totals over 1,000 percent larger than the 1932. It is only fair, in connection with these figures, to consider the much larger number of firms which did business at a loss in those years. With aggregate losses and depletions of surplus recently cited by the N. R. A. as running into billions of dollars, I believe on the order of $5,000,000,000, $3,000,000,000, and $2,000,000,000 for the respective years. Percentages are deceiving in such a situation, since a 20-percent change in the losses is a larger dollar figure than a 1,000-percent change in the profits of the few.

Increased management efficiency and productivity per man-hour, following the trends publicized by the technocrats, are expected to take up a good deal of the slack in our national income which might otherwise be caused by this sudden change in the hours of labor. Mr. Green, on page 33, says:

> The cost of rapid introduction of machinery has in the past been paid by the worker. This becomes very clear when we review the last 80 years of our progress in manufacturing industries. In 1849 the average factory worker produced $4.30 worth of product for every dollar paid in wages. By 1929 he was producing $6.06 worth of product for every dollar paid him in wages, nearly 50 percent more. In 1933 he was still producing $6 worth of product for every dollar paid him in wages.

You will note he uses the value of product against the wage bill in making these computations. This method ignores the fact that both our industry and our Census of Manufacturers have become vastly more specialized in the years since 1849, as was demonstrated above in the case of the automobile versus the buggy. Even the value added by manufacture is not a fair comparison with the wage bill, because the same trend introduces a similar but lesser diversion

between these two figures. This error is, however, partially compensated by the increase in the average hourly wage of labor during most of that period.

Both sets of figures, however, show no increase in productivity per man-hour between 1929 and 1933. In fact, if we consider the fact that a dollar purchased more man-hours of work on the average in 1933 the divisor would properly be larger in that year and the productivity ratio less than in 1920. Dr. Moulton, of the Brookings Institution, after calling attention to the difficulties of reducing productive efficiency to figures or indexes, estimates that the average increase in productive efficiency of industry in the last 5 years could not possibly exceed 10 percent, even though it might conceivably be as high as 25 percent in a few selected instances. I have taken the liberty of going at some length into these figures in order to call attention to the folly of relying upon figured estimates of our greatly increased efficiency as a basis for guiding our national destiny. It would seem a jump in the dark with only our boot straps as a parachute.

In closing, may I file with the committee a statement which I believe pertains indirectly to the subject of this hearing, in that it looks toward direct reemployment and expansion of production as a means of attaining the objectives described in the preamble to this bill?

(The statement referred to is as follows:)

WASHINGTON, D. C., *October 1, 1934.*

Re: Work relief.

Mr. JACOB BAKER,
Assistant Administrator, Federal Emergency Relief Administration,
Washington, D. C.

DEAR MR. BAKER: In accordance with our conversation a few days ago, I am outlining below my tentative proposal for placing skilled destitute workers in operating plants. This general suggestion arises out of the specific instance in the furniture industry, about which I have been in touch with Mr. Dellows, and in which we have had the pleasure of cooperating with him toward a mutual solution of our problem.

I believe something can be evolved along this line which will put idle skilled workers at jobs in a manner faster, cheaper, and socially more desirable than the establishment of governmentally operated factories. Code authorities and trade associations are designated in the code and in the general concept of the recovery administration as the economic planning agencies of their industries. They are becoming increasingly aware of their responsibilities and more ready to shoulder them.

The proposal is, specifically—

(1) Put as many destitute workers into going plants as possible.

(2) Set up new enterprises and renovate idle plants only when this recourse is exhausted.

Let the relief administration and the code authority agree in conference on the "labor content per unit" of the articles to be manufactured.

(4) Each manufacturer must supply, without profit, the proper number of units in relation to the number of man-days of relief labor accommodated.

(5) A reasonable allowance for overhead in these contracts would be less than the cost of setting up new plants, especially if the capital expense were amortized during the emergency.

(6) Each manufacturer should have the privilege of hiring the best-fitted relief labor over on commercial pay rolls when business picks up.

Referring to the above paragraph numbers, the advantages involved in these steps appear to me as follows:

(1) *Speed and economy.*—No one is in a better position than the relief administration to know the strain, the loss of human energy, and the cost of setting up a new organization. Men must learn to work together. Misfits, especially in supervisory capacities, must be replaced by competent persons. The routing of work and the keeping of records must be organized. Every going concern has done these things and can absorb new workers without change or strain.

(2) *Minimum capital outlay.*—Almost every American industry of any importance is operating at a small percentage of its total capacity even after excluding factories entirely shut down. In most industries it would be impossible to liquidate any capital expenditures for renovation or new plant capacity. The total capital outlay required from Federal and State relief agencies would, under this plan, be reduced to working capital necessary for the purchase of materials and capable of being liquidated at the end of the emergency. These legitimate requirements of working capital where the possibility of liquidation can be demonstrated, can be borrowed. Hence, this plan offers a double gain in the amount of relief funds available for direct wage payment.

(3) *Better supervision.*—In a going plant under this plan, the relief workers would be under capable and practical supervision and the pace would be set by workmen on the commercial pay roll. With an appropriate wage differential between a relief job and the equivalent job on a commercial pay roll, every workman would have an incentive to make a showing such that the foreman would wish to transfer him as soon as business became available.

(4) *Automatic employment agency.*—In a separately operated Government factory, a potentially good workman might easily let down to the dead level of his average fellow workers. The knowledge among all of them that relief money will continue whether they produce efficiently or not is undoubtedly a drag on the average productivity and particularly on a good man. Working in the same factory with commercial production, there would be the opportunity for every good man to shift into a real job as soon as business was available; and an incentive to every worker. It would be necessary that the contract not call for any specific quantity of goods or delivery on any specific date, but merely gear the output to the man-hours of relief issued through that factory. From the manufacturer's standpoint, this plan would have the advantage of permitting him to build up his production rapidly and economically when business improved. He would avoid the training period and other losses inherent in the introduction of new workmen to a strange plant.

(5) *Partnership instead of competition.*—It will undoubtedly be argued by some that such contracts would be open to abuses, especially the necessity of making an allowance for overhead, either in cash or extra labor. It must be remembered that overhead would exist on Government factories, whether it was figured or not, and that the impossibility of selling such plants after the recession of the emergency would make heavy amortization charges necessary, and in all likelihood produce an overhead higher than the average commercial operators.

Most important of all, in this connection, such a plan would have thousands of business men aware of the problem of finding work for these men on relief, instead of charging a regenerative circuit of hostility and fear regarding Government competition. The small start so far made on the work-relief program of providing goods needed by unemployed persons has damaged business confidence out of all proportion to the actual volume of goods produced. The economic and political consequences, potential in this situation, fortunately bear in the same direction as the considerations of speed and economy discussed above.

As I understand it, three obstacles prevent immediate movement toward adoption of such a plan. These are:

1. *Prevailing wage-rate theory.*—Obviously with relief workers paid the prevailing hourly rate, the above plan cannot be made operative. This difficulty could be cured by one or more of the following solutions:

(*a*) A differential rate for these marginal workers. On the average they are less skillful or productive than the workers who have managed to hold onto jobs. This does not dispute the fact that many skillful, conscientious, high-class workers have been made destitute by pure chance, but many such workers have found other ways to eke out a living, have some savings still available, or receive help from friends and relatives.

(*b*) Payment of such workers in perishable scrip has been suggested to Dr. Dickinson and Mr. Hopkins by various economists with the thought that relief wages so paid would be kept in rapid circulation. This has advantages, but would not solve the problem in itself, since the man on relief roll would have as

much immediate spending power for an hour's work as the more efficient holder of a commercial job.

(c) Piece-work rates, wherever possible, should be applied to such operations as are proposed in this plan. A piece-work rate could be the same for commercial and relief workers and would remove the slight psychological hazard which might be argued against this plan.

2. *Lack of information about destitute workers.*—One of the principal questions, which must be answered before any industry can cooperate in solving the work-relief problem, was asked in connection with the furniture industry's proposal. It is necessary to know:

(a) The number of workers to be accommodated.

(b) Where the workers are (usually will be found near centers of the industry in which they have experience, unless they have migrated during the depression).

(c) Qualifications of workers. In the case of furniture, we felt it was desirable to know whether a man's status as a skilled worker was taken on his own word or was investigated in some manner; also, to know whether he was a toolmaker, cabinetmaker, finisher, upholsterer, etc.

3. *Objections to contract operations.*—The unfortunate history of contract operations with prison labor will naturally come to mind. In those instances, the contracts were supposedly permanent, were necessarily made for profit or the industrial contractor would not have been interested; and were not to use the labor of specific numbers of prisoners with known terms of imprisonment. Relief-work contracts would be designed to yield no profit to the manufacturer, to end themselves and dissolve as soon as possible, to furnish incentive to all parties toward liquidation of the contract. Yet from conferences I have had with members of this and other industries, there would be sufficient mutual advantages as outlined above to make the contract workable and acceptable during the emergency.

In closing, may I emphasize that the above is my personal suggestion, presented to Secretary Roper and yourself with trepidation because I realize my perspective is limited. I simply feel that it can do no harm and may be helpful.

Yours very truly,

WALTER MITCHELL, JR.

WM, Jr.:C.
CC—Hon. Daniel C. Roper.

Senator NEELY. The subcommittee will adjourn until 2 o'clock this afternoon.

(Whereupon, at 12 noon, the subcommittee took a recess until 2 p. m.)

AFTER RECESS

At the expiration of the recess, the subcommittee reconvened, at 2 p. m., Senator Neely presiding.

Senator NEELY. Is the representative of the Illinois Manufacturers' Association present?

STATEMENT OF JOHN HARRINGTON, CHICAGO, ILL., REPRESENTING THE ILLINOIS MANUFACTURERS' ASSOCIATION

Mr. HARRINGTON. Mr. Chairman, my name is John Harrington, associated with Fyffe Clark, general counsel for the Illinois Manufacturers' Association. I am appearing here in behalf of the Illinois Manufacturers' Association.

The Illinois Manufacturers' Association is an association composed of some 2,500 members engaged in the manufacturing business, small and large, from concerns employing 10 people up to the largest industrial plants in the State of Illinois.

The members of the Illinois Manufacturers' Association are opposed to the 30-hour weekly bill, the Black bill. They feel that it

would increase their costs to a point that would be very dangerous to their business and in a good many cases that it would put them out of business. We have gotten opinions of the members of the association through questionnaires sent out to them, and we have first-hand information gathered from those questionnaires as to the general opinion, or rather the average of what the members figured the increase in their costs would be, which is about 18 percent. Of course, in some instances it is very much greater than that, and in some it is less.

Senator NEELY. Are the members of your association unanimous in their opposition to this bill?

Mr. HARRINGTON. Well, I will say that of the questionnaires which were returned, which was a large proportion of those sent out, they were all opposed to the bill. I have taken some of the expressions of the opinions of these members and I thought it would be one way of bringing to the committee their opinion as to the effects of this proposed legislation. Of course, they are not economists. They are business men running their particular businesses. I will be followed by two gentlemen who will give you the facts with relation to their own particular business.

A large manufacturer of motion-picture equipment states:

> About one-third of our business is export, and even a slight increase in cost would prevent us from competing with foreign manufacturers. With present high taxes, we are just able to keep out of the red. Any increase in taxes or labor cost would probably force us into liquidation.

This concern estimates that this bill would increase its costs between 20 and 25 percent.

Senator AUSTIN. Can you tell me what percentage of the output of that concern goes into foreign trade?

Mr. HARRINGTON. No; I cannot. He says about one-third.

A large manufacturer of leather products states:

> Most of our factory operation is done by skilled labor. We could not within several years train additional operators, even if we could afford it. If the 30-hour week is forced upon us, we will close down out factory and liquidate the business. This is no idle threat or guess. Since August 1933, we have operated under N. I. R. A. 40-hour weekly average. We have facts and figures which compare with our records of our 57 years of manufacturing to substantiate the above statements. Reduction of hours from 50 hours per week to 40 hours weekly in 1934 proved a loss to us that we could not pass on to our customers.

This concern estimates that this bill would increase its costs 33⅓ percent.

A large manufacturer of starches and food products states:

> Our process is a continuous process. To be compelled to work on a 30-hour-week basis would bring our cost of production up to a point where operation would be prohibitive and other products would be substituted for ours. It is our opinion that a 30-hour-week basis for our business would be the equivalent to putting us completely, effectively, and permanently out of business.

A large manufacturer of jewelry findings and metal specialties states:

> We would have to make additional tools on each order, which would further increase costs on special jobs. A large proportion of our production is specialty work. In some instances, costs would be increased 50 percent. We would have to double our tool requirements on regular production also, and the requirements of a maximum allowable working week of 30 hours would be impractical. Additional tools and equipment would call for additional factory space which would again increase costs.

This concern estimates that this bill would increase its costs from 20 percent to 25 percent.

Senator AUSTIN. If you can, I should like to have you give the different States where these various factories are located.

Mr. HARRINGTON. They are all located in Illinois. These are also all members of the Illinois Manufacturers' Association, located in the State of Illinois.

A smaller machinery repair concern states:

As most of the work that we do consists of hurry-up machine repairs, the 30-hour week would result in excessive overtime. As a plant is usually standing idle because of a break-down, when we are called in we have to complete our work in the shortest time possible, regardless of working hours. At the present time our market will not stand another price increase. Since the introduction of the 40-hour week, we have many complaints about the cost of our work. We also find it very hard to get a reasonable price for our contract work. We require about twice the billing to show a profit that we did before the N. R. A. Any further permanent reduction in working hours would eventually force us to close down to avoid bankruptcy, although we are still in a sound financial condition.

This concern estimates that this bill would increase its costs 25 percent.

A manufacturer of ladies dresses states:

Would be impossible to operate on a 30-hour week basis and yet remain in business. We would absolutely be forced out of business by a 30-hour week even in the event lesser wages would be demanded by our employees. Since there would be an acute shortage of skilled labor (it would take years to train the added number necessary). The capital necessary for the added machinery would be prohibitive. The increased market for our product would not be sufficient to warrant the cost of increased necessary machinery or added labor cost.

This concern estimates that this bill would increase its cost 30 percent.

A dairy manufacturer states:

Due to the short-hour N. R. A. program we know that it requires from 16 to 20 percent more business to break even with no profit. Therefore, a 30-hour program would bankrupt a concern of our type in a very short time.

This concern estimates that their bill would increase its cost 33⅓ percent.

A manufacturer of rubber goods states:

Assuming that our demand remains the same, and we doubt that it would under a 30-hour weekly schedule, it would not be practical to adjust a working schedule to the equipment we now have. Reducing production per individual, as would be naturally the case if hours were reduced, would mean a reduction in the standard of living of everybody dependent on individual output for wages. Even if labor-saving devices were installed, it would still mean less distribution of wealth than would be the case if the same euipment were operated 8 hours per day.

A large manufacturer of windmills and other farm machinery states:

Our business is with farmers. An increase in our prices to cover the added cost of a 30-hour week would, we believe, stop buying by farmers to such an extent as to reduce rather than increase employment.

A manufacturer of saws, shears, punches, and other hardware equipment states:

The already shortened work week from 50½ hours to present 40 hours has lowered efficiency of plan operation by at least 25 percent. A further shortening of 30 hours would further lower plant efficiency by another 25 percent, at least, and possibly 30 percent.

Above answer (that the cost of the product would be increased by 40 percent) is based upon assumption that if we are forced to operate on a 30-hour week basis, all industries from whom we purchase materials would also be forced to operate on 30-hour week; therefore, our costs would be increased not only by our own increased labor costs but also by similar costs and, necessarily, price increases of materials and commodities we buy as our raw materials and supplies. We contend that shortening of the week will unquestionably place unbearable burdens on all persons who are employed because it will restore their productivity and, therefore, their share of the goods they produce, and thus further lower the standard of living of the American wage earner. What a wage earner really needs is not shortening of the work week but lengthening of the week so as to increase the production of economic goods so that there will be more economic goods to distribute as real wages.

As indicated, this concern estimates the increased costs under this bill to be about 40 percent.

A large manufacturer of shade cloth states:

This factory has gone along for the last 2 years just about breaking even, and if it were necessary for our labor costs to be increased, as it would be under this bill, some place from 65 to 80 percent, it would simply mean that our goods would have to drop from the market and we would have to close this establishment.

A manufacturer of automobile and other vehicle springs states:

Heat treatment of springs requires use of large furnaces that take time to bring to temperature require. Hence, a 6-hour day would 2- or 3-shift operations. We have to compete in foreign markets. Thirty-hour week would make it impossible for us to compete. Thirty percent of our business is foreign, which would be lost to us. This bill would be a terrible hardship on workmen.

This concern estimates that this bill would increase its costs 25 percent.

A toy manufacturer states:

This company will be forced to cease to operate, forcing 75 people out of employment.

This concern estimates that this bill would increase its costs 20 percent.

The management of one of the large chains of restaurants states:

In the restaurant business a 30-hour week would probably put many thousands of us out of business, thereby causing more unemployment.

This concern estimates that this bill would increase its costs 25 percent.

A large manufacturer of soda fountain and brass goods states:

There are several months each year when our machine capacity is taxed to the limit, even on a 50-hour week. It would mean two shifts, one inexperienced, which would be laid off just about the time they started to produce.

A manufacturer of dental supplies states:

Many of our processes need heat, and the time and cost of heating for only 6 hours would be a great disadvantage and handicap. About one-third of our business is foreign, and with an advance of 66⅔ percent this business would be lost to us. And, further, competitive imported products would take away a certain amount of our present business due to our higher costs.

This concern estimates that this bill would increase its costs 66⅔ percent.

A lamp manufacturing concern states:

It would force us to order more equipment for which we have no money. This additional equipment would increase the cost of our goods. This, an additional overhead, and increased wages, would make it impossible to make any

profits unless the prices could be increased and those prices protected by forcing all others in our line to work under the laws 100 percent. If this becomes a law, it will fail—first, when prices go up less will be sold; second, economically, it is unsound; third, it cannot be enforced satisfactorily.

This concern estimates that this bill would increase its costs approximately 25 percent.

A hardware manufacturer states:

Operation of some machine by two operators always makes trouble. Our production depends upon skill, which, in many cases, takes years of development. Such workers are at a serious loss and we also, on restricted hours. We are greatly hampered now by the N. R. A. labor restrictions. Our workers are not as satisfied as when they could, on occasions, make a good pay-roll envelop. Our profits are less and although in other sections prices are reduced and we must meet them, our costs are very appreciably more. Our production and distribution are both disorganized by the present and would be more injured by increased labor laws.

This concern estimates that this bill would increase its costs 25 percent.

A manufacturer of mailing and household scales states:

Should the 30-hour week law pass and become effective, it will mean an advance in wages of 33⅓ percent. This advance in wages would necessitate an increase in our manufacturing costs of at least 25 percent. When this increase is carried on to the consumer, it will, in many cases, make the price prohibitive and would naturally result in fewer orders and less production. The object of this bill which is presumed to relieve unemployment would not meet such expectation.

This concern estimates that this bill would increase its costs 25 percent.

A manufacturer of steam specialties states:

Our company manufactures a line of special automatic devices to bring about certain results which requires mechanical engineers of long experience and training. Hence, we could not use what is known as the ordinary machinist until he acquired quite a number of years of experience in our special line. By that we mean a man would have to be in our employ for quite a number of years before he would become reliable or usable in the manufacture and the production of our products.

This concern estimates that this bill would increase its costs from 50 to 60 percent.

Another large manufacturer of motion-picture machinery and equipment states:

It would be practically impossible for this industry to operate on a 30-hour week basis and train the number of additional skilled workers that would be required to take up the work shortage of 10 hours per week per man. It takes from 4 to 6 years to train a skilled worker in this industry. The increase in employment therefore would be applicable only to unskilled workers and we could not train enough skilled men to successfully handle our business in less than 4 years' time. It would result in a tremendous handicap to our business should this legislation be adopted.

The increase estimated by this concern of its costs under this bill would be from 25 to 35 percent.

A large watch manufacturer states:

Owing to the fact that the 30-hour week would handicap us in our machine and tool capacity, and that we must design and build all of our own, it would take us several years to again reach our capacity. We are now suffering from a shortage of special machines. There has always been a shortage of toolmakers capable of doing this class of work. The situation is now more acute than ever before. A 30-hour week would make it worse.

This concern estimates that this bill would increase its costs 22 percent.

A large manufacturer of felt products states:

It would ruin our business completely due to the type of manufacturing processes and equipment necessary in our product.

This concern estimates that this bill would increase its costs 25 percent.

A forging manufacturer states:

The increase in cost would reduce sales and add such a heavy burden as to cause stoppage of our manufacturing operations in practically all departments.

This concern estimates that this bill would increase its costs from 40 to 50 percent.

A large manufacturer of machinery, a large part of which is for the farm trade, states:

Investment would not be turned over. Cost and prices would increase. Volume of business would be restricted thereby.

This concern estimates that this bill would increase its costs 32 percent.

A manufacturer of blueprint machinery and drawing equipment instruments states:

I believe we would have to increase our selling prices at least 20 to 25 percent, which would, in turn, lower the volume of sales. This theory of decreasing hours to revive business is fundamentally unsound and will prolong the depression.

This concern estimates that this bill would increase its costs 16 percent.

A large printing specialty concern states:

Probably would be the straw to break the camel's back.

This concern estimates that this bill would increase its costs 30 percent.

A cheese manufacturer states:

Country cheese plants could not possibly operate on a 30-hour basis. Sales would decrease because of the excessive labor costs, and because the perishable nature of our product prevents us from building inventories in advance. We would not be able to meet the sudden and unexpected heavy demands of the trade.

This concern estimates that this bill would increase its costs 30 percent.

A large clothing manufacturer states:

Recovery can only be secured by reducing unemployment and not by spreading the work which the 30-hour week would accomplish if wage levels were not maintained, and if they are maintained an increased cost of 20 to 40 percent will create a greater resistance than we now have to purchasing power. The measure is an economic mistake and an obstacle to recovery, and will not put more people back to work because less goods will be sold on account of the higher prices resulting in greater employment. In many industries of a seasonal nature it works great hardship by creating a need for additional productive facilities when, as a matter of fact, there is an actual overextension of plant and equipment at the present time. Increased production means increased wealth and increasing prosperity. The less people work, the less they produce, means decreasing prosperity. The great needs for goods and services of all kinds can only be responded to by bringing costs down to meet buying power, and every time we raise labor costs, we interfere with this program.

A large manufacturer of farm machinery and equipment states:

This is a seasonable business. We have no way of predicting weather, or crop, or price conditions, and on this rest the demand for goods. Any limitation of hours interferes with our meeting quick demands. Also, many special jobs have limited number of operators available.

A wall-paper manufacturer states:

I do not think that wall-paper mills could operate at all on a 30-hour week.

A paper-bag manufacturer states:

With a further shortening to 30 hours, we would not be able to make enough goods to pay an adequate profit on the capital invested. It would be necessary to replace a great deal of our machinery with automatic feed and delivery machines and to speed up some of the automatic machines that we are using now; this, of course, would greatly decrease the man-hour employed. One hesitates at present to equip with new machinery with no assurance that we will be able to secure the necessary volume that we have been having on our present machinery, or any increase in volume in the near future.

An oil refining company states:

Our industry, due to its continuous manufacturing processes, operates 24 hours per day. All operations are subject to very close and delicate control, in which the human element plays quite an important part. Under our present plan of operation, the day is divided into 4 shifts of 6 hours each, which means that a different set of operators take over the control of the processes every 6 hours. This frequent change of operators tends to upset the operating conditions with a resultant loss of production. Any further reduction in working hours would necessitate additional shifts which would still further aggravate a condition already bad.

This concern estimates that this bill would increase its costs 15 percent.

A large zinc producer states:

A proposed 30-hour week would increase the cost of producing and rolling zinc far beyond the foreign price plus duty and freight, unless a drastic reduction would be made in the weekly wages that we are now paying.

This concern estimates that this will would increase its costs 30 percent.

A hardware manufacturer states:

There are now no profits in the business. A 30-hour week would just about be the straw to break our backs. It would increase our costs, decrease sales, increase losses, evaporate our reserve, cause us to fold up, thus throwing all our employees out, thus contributing to a lower standard of living.

A manufacturer of precision machinery states:

It is almost impossible to work more than one shift on highly specialized machinery. We must place the responsibility definitely for accurate work.

A large manufacturer of machinery states:

We would immediately proceed with the development of our new automatic machinery which would cut our labor item to the barest minimum.

A tailoring concern states:

Remarks I can make about the whole blank thing cannot be written to go through the mail safely.

A millwork manufacturer states:

Drying lumber requires at least 10 hours of heat a day. Exhaust heat is used for this purpose. Shorter hours would require use of live steam, which would make it expensive to dry lumber. A 30-hour week in the millwork industry would raise the price of woodwork for building purposes. The Government wants to get the building industry started. Let's not throw

another wrench in the machinery. What we need in our industry is low prices to get the public started to build. Shorter hours would not add as much employment as some may think, because the industrious worker would find employment outside of his regular work.

This concern estimates that this bill would increase its costs 33⅓ percent.

A manufacturer of steel lockers and other metal products states:

On sheet metal products of our type we cannot have recovery until we can increase our commercial business as contrasted to public business. Commercial prospects cannot be attracted in larger volume at this time by higher prices instituted by wage and cost increase resulting from a 30-hour week.

This concern estimates that this bill would increase its costs 12½ percent.

A large tent and awning manufacturer states:

We object to any legislation limiting hours of work, for the reason that we have no confidence that it will be enforced on cheating employers. This conclusion is drawn because of our own experience with the code under which we operate which now limits the employer to a 40-hour week. Total lack of enforcement of this code has greatly penalized the honest employer to the benefit of the nonobserver.

A sample-case manufacturer states:

For 35 years we have specialized in the sample case for salesmen. Our help has been with us for from 10 to 25 years and is highly skilled. It takes at least 2 years to break in a new man and it would really work a hardship on us and our help if the hours were changed from 40 to 30.

This concern estimates that this bill would increase its costs 40 percent.

A manufacturer of clothing states:

The disadvantage of the 30-hour week would be adding to the cost of goods at peak periods and make it impossible for us to get out our orders. What we crave to do as free men in an alleged free country is to run our factory as is necessary to make a profit which benefits all, with only the right and proper restrictions of child and female labor in order to prevent exploitation. Give us and give industry this chance, and to my mind depression will be a thing of the past.

A drug manufacturer states:

We manufacture pharmaceutical preparations for hospitals and doctors, and it is imperative that we remain open at least 40 hours per week, using the same employees.

A manufacturer of dairy-farm equipment states:

Our industry has operated at a loss for 4 consecutive years. If our overhead, which has been reduced to a minimum, must be distributed over a shorter week, this will only make it more impossible to get our industry on a paying basis. Nothing has yet been done that enables the dairy farmer to pay a higher price for the equipment which he uses.

This concern estimates that this bill would increase its costs 33⅓ percent.

A foundry company states:

A 30-hour week would put us out of business.

If there were time, we could go on and read to you approximately 2,500 statements of the same character and to the same purport by manufacturers of Illinois, large and small.

We regret that it was practically impossible for all these manufacturers to come here and appear personally before you.

However, the cost to them in money and time from their businesses, and the limit upon your time, made this impossible.

We hope that you will accept our assurance that what we have read you is typical of the views of the manufacturers of Illinois. They are just as eager to reduce unemployment and to increase business as is anyone. They are all experienced business men who have the responsibility of keeping their businesses in operation, of keeping men employed, and of absorbing the unemployed.

You can rest assured that they feel this responsibility and that they are sincere in their uniform expressions that the enactment and enforcement of this bill would be a catastrophe to this country.

I thank you.

Senator NEELY. Are there any questions?

STATEMENT OF MYRICK D. HARDING, CHICAGO, ILL., REPRESENTING THE ILLINOIS MANUFACTURERS' ASSOCIATION

Senator NEELY. You may proceed, Mr. Harding.

Mr. HARDING. Mr. Chairman and gentlemen of the committee, my name is Myrick D. Harding. I reside in Chicago, Ill. I am here in connection with the legislation pending before your committee on the 30-hour week, having had 43 years' experience in the operating end of this business, and coming up through the ranks of the meat business to my present position, that of general superintendent of plants.

Senator McCARRAN. With what concern?

Mr. HARDING. Armour & Co.

Senator McCARRAN. Did you come here representing Armour & Co.?

Mr. HARDING. No, sir. I came here representing the Illinois Manufacturers' Association, of which we are a member.

Senator McCARRAN. Did you come here specially representing that association, or are you representing Armour & Co.?

Mr. HARDING. I came here representing the packing industry.

Senator McCARRAN. Of which Armour & Co. is a member?

Mr. HARDING. Of which Armour & Co. is a member.

Senator McCARRAN. Do you also represent the Cudahy Co.?

Mr. HARDING. I represent all the packers.

Senator NEELY. Swift & Co., Wilson, and all of them?

Mr. HARDING. And the smaller packers. They are all members of the Illinois Manufacturers' Association.

Before taking up the statement I have prepared, I should like, for the information of the committee, to describe briefly the method of operating a packing plant from the time the livestock is received until the finished product is ready for shipment.

I don't want to take up your time unnecessarily. In the hearings before the House committee on the Connery bill, I went into that matter in detail, and that is shown in this record of the hearings. In order to understand the situation I think that should be read. It details the very reasons why we cannot conform to any rigid week, whether it is 30 or 40 or 50 hours. We are very much like the canneries. When vegetables are ripe, they must be canned; when fruit is ripe, it must be canned. It is much the same way with our products.

Senator McCARRAN. Your work is largely seasonal?

Mr. HARDING. Yes, sir; seasonal by seasons, and seasonal by days of the week.

I will leave that copy with the committee.

Senator AUSTIN. In what year did you make that statement?

Mr. HARDING. That was last May. That describes in detail the difficulty of attempting to operate a packing house on a rigid week of any number of hours.

The primary object of a compulsory 6-hour day and 30-hour week in industry is to spread employment. Unquestionably, any sound plan for the employment of more workers is commendable. As to the major operations of the meat-packing industry, which deal largely with highly perishable products, it is felt that the hardships occasioned by any such law as proposed will greatly outweigh all benefits which could possibly be derived from it.

For the past year and a half the packing industry has been working under the President's reemployment agreement (modified to fit conditions in the industry), which calls for a basic 40-hour week, with 16 weeks in each year known as tolerance weeks, when more than 40 hours per week may be worked.

The Bureau of Labor Statistics of the United States Department of Labor shows that the average hours per week in the packing industry from January to October 1934, the last month for which official published figures are available, to be the following:

	Hours		Hours
January 1934	40.9	June 1934	39.8
February 1934	39.2	July 1934	40.3
March 1934	38.6	August 1934	42.0
April 1934	39.1	September 1934	43.0
May 1934	38.0	October 1934	41.0

An average for the year of 41.7 hours.

Further, according to figures published by the Bureau of Labor Statistics of the United States Department of Labor, the packing industry as of December 1934 has 105.5 as many employees as it had during the years 1923 to 1925, inclusive, with an average for the entire year 1934 of 103.7. There is, therefore, no unemployment in the packing industry and consequently no excess of experienced packing-house workers.

The points mentioned are suggested because the necessity for the law, as set forth in its preamble, does not find support in the packing industry as now conducted.

However, there are many reasons more cogent why the slaughtering of livestock and the processing and marketing of its perishable products should be exempted from the provisions of a law limiting an employee's work to 6 hours per day and 30 hours per week. These various reasons will be discussed in this statement under three general subdivisions, as follows:

1. The impossibility of purchasing and slaughtering the Nation's livestock as marketed from day to day, and the handling and distribution of its fresh meat products, under any law limiting the time of workers to 6 hours per day.

2. The detrimental and menacing effect on the farmer which a 6-hour day and 30-hour week in the packing industry would produce.

3. The unfair competition and discrimination against the interstate packer in favor of the intrastate packer (who cannot be affected by the law) which any such law is bound to create.

In considering (1), as above stated, the peculiar and unusual conditions surrounding the meat-packing industry must constantly be borne in mind. One must have a close association with this unusual industry to fully understand and appreciate the difficulties involved in the marketing of livestock and its meat and meat products. There are three factors which dominate and control all the operations of the meat-packing business:

First, the daily fluctuations in the receipts of livestock at the central markets;

Second, the highly perishable nature of both the livestock and meat and meat products prepared from it;

Third, the extreme necessity of selling all fresh meats (beef, sheep, calves, fresh pork) while fresh. This requires getting them into the hands of the retail dealers within a few days after the purchase of the live animals.

(a) Fluctuating receipts: A comparison of the receipts at the seven leading livestock markets of the United States well illustrates the irregularity of receipts. Livestock is received at such markets every day in the week, but the daily receipts during the first four market days of each week are invariably the heaviest. The total receipts for the last few weeks at these seven principal markets were as follows:

Receipts at seven principal markets[1] *November 1934*

[From Chicago Daily Live Stock Market Report issued by the Bureau of Agricultural Economics]

	Oct. 29 to Nov. 3	Nov. 5 to Nov. 10	Nov. 12 to Nov. 17	Nov. 19 to Nov. 24	Nov. 26 to Dec. 1
CATTLE					
Monday	75,556	56,510	76,267	62,176	49,051
Tuesday	32,533	33,273	38,642	30,038	36,694
Wednesday	34,647	44,308	36,360	25,211	21,326
Thursday	29,668	27,668	29,120	21,328	----------
Friday	14,394	12,912	13,959	13,644	17,016
Saturday	4,017	3,560	2,660	2,177	2,052
HOGS					
Monday	85,623	63,796	88,056	90,416	109,746
Tuesday	73,596	67,279	100,793	102,519	106,640
Wednesday	67,490	77,437	91,067	68,186	65,499
Thursday	68,776	84,207	92,709	77,992	----------
Friday	58,424	64,510	91,194	102,922	80,578
Saturday	15,190	21,714	29,108	32,715	18,099
SHEEP					
Monday	86,320	56,810	47,855	34,575	34,538
Tuesday	35,392	30,101	35,684	15,283	35,914
Wednesday	37,969	23,500	39,107	12,198	30,749
Thursday	38,435	40,304	23,299	14,788	----------
Friday	29,187	25,233	22,614	19,563	44,350
Saturday	10,537	9,255	6,247	5,805	7,314

[1] Chicago, East St. Louis, St. Paul, Sioux City, Omaha, St. Joseph, Kansas City.

The variations at the individual markets are even greater, as weather, farming operations, and so forth, in each locality have a marked influence on the movement of livestock. Four and a half million farmers and producers exercise their independent judgment and discretion as to the time of shipment to market, and there is no way of controlling receipts.

Moreover, the fluctuations in receipts is only part of the difficulty the meat packers have in securing a steady supply of livestock. At

the Chicago stockyards, for example, approximately 200 packers secure some or all of their livestock requirements. There are times when packers located several hundred miles away buy heavily in the Chicago market. This factor, taken in conjunction with the fluctuating receipts, makes it absolutely impossible for any packer to forecast his daily livestock supply.

(*b*) Perishability: Livestock itself is treated in shipping circles as highly perishable. It is especially subject to injury in extreme heat or cold. Livestock is always subject to injury when held in pens, and, of course, holding requires feeding, watering, and general care. Even with such care, the strange conditions and surroundings cause shrinkage in weight and frequently deterioration in the food value of the animal itself. The fresh meat products of slaughtered animals must, of course, be handled under refrigeration at all times.

(*c*) Prompt marketing: It is of the utmost importance that fresh meats reach the retail dealer in the shortest possible time. Virtually all beef, veal, and mutton is marketed in a fresh state; likewise pork loins and similar pork products, which are extremely perishable. The market range of fresh-meat products is ordinarily from 2 or 3 days to a maximum of 2 weeks, depending upon the distance shipped. Therefore, the marketing of fresh meats is virtually a continuous process from the time the live animal is purchased in the stockyards until the meat is placed in the dealer's coolers. Fresh meats, strictly speaking, are not carried in stock.

The methods now employed by the meat packers of the Nation are the crystallization of many years of effort to get the products of livestock into the hands of the retail meat dealers in the best possible condition, in the shortest possible time, and with a minimum of expense. Such methods are adapted as far as they can be adapted to the irregular shipments of the farmers to market. Anything that would tend to disturb or upset these established and well-known methods would certainly be detrimental to the livestock producers, the slaughterers, the retail meat dealers, the consumers of meat products, and to the workers who carry on the packing-house operations.

(*d*) Buying and slaughtering: If such a law as is proposed would apply to livestock buyers in the yards, the effect on the present system of buying would be serious. At present the buyers buy not only on the basis of quantities of livestock required but on the basis of grades, weights, and qualities. Each day they must cover all the offerings of the various commission men. The amount of time required for efficient and economical buying cannot be foretold. Not only are these men specialists in their knowledge of the live animals and of packing-house requirements and their acquaintance with the trading characteristics of the commission men with whom they deal but they follow the livestock into the packing plants to observe the slaughtered animals in their meat form and to observe the yields of meat. It would be impossible for a livestock buyer to follow through in this way within a period of 6 hours.

Neither could this work be developed into shifts, as no second man can take up a trading transaction where the first one dropped it. Furthermore, sufficient men of suitable qualifications for buying are not available to operate the two shifts.

The number of animals purchased determines the length of the day's slaughtering operations. This is so because the layout machinery and equipment in the packing house will only handle a certain number of animals per hour. The average day's maximum capacity slaughter does not exceed 8 or 8½ hours, so that if one full 6-hour shift were used there would be very little left for a second shift.

If two short shifts of less than 6 hours were used, then they would both be unsatisfactory to the workers. Slaughtering of livestock is not like the handling of nonperishable materials. From the moment the animal is slaughtered until the dressed carcass is placed in the refrigerated room, there is no cessation of handling. Such operations cannot be suspended or interrupted without danger of product deterioration.

(*e*) General manufacturing operations: Generally speaking, the capacities and facilities of the average packing house will not permit of turning out the entire production in a single 6-hour shift, even if if trained men were available. Undoubtedly in the packing business, as well as in every other business, there are some jobs in which the work is more or less mechanical and such as would enable one employee to step out and another to step in at the end of 6 hours without any effect on production other than that necessarily occasioned by the stopping and starting. However, there are many operations in the meat-market business where it is virtually impossible for one person to step out and another to step in during the performance thereof.

The bill as drawn is so rigid and nonelastic that a sausage maker or any one of the many experts who prepare various mixtures and batches of meat food products could not work more than 6 hours to complete his mixture or batch without making the entire production of the packing house contraband of commerce.

The only exemptions mentioned in the proposed legislation are officers, executives, and superintendents and their personal and immediate clerical assistants. If plant supervisors, such as superintendents, assistant superintendents, department superintendents, and foremen are limited to 6 hours per day, and additional shifts are required, an insurmountable obstacle would be presented in securing supervisors of the necessary long experience, technical knowledge, and skill. There are not men available with these qualifications to fill the requirements should the supervisors' day be limited to 6 hours.

(*f*) Loading and shipping: As far as possible orders are filled and shipped on the day of receipt. The number of orders and quantities of goods required to fill such orders varies from day to day because of the buying habits of the trade. The loading and shipping operations must also be adjusted to correspond to the services afforded by the railroads and the contract trucking haulers. These are matters wholly beyond the control of the packer. The delivery of meats to cities within a range of 150 miles by trucks has grown very rapidly in the past few years. Meats shipped out by rail are loaded in cars during the daytime, whereas meats shipped out by trucks are loaded during the nighttime, to enable such trucks to make early morning delivery direct to the dealers' stores. These two operations are wholly separate and distinct. A delay in the setting of cars by the railroad company, or a late arrival of some of the trucks, will disrupt the packing-house schedule. It would be extremely impracticable for a loading gang to change when either a car or truck was only partially loaded because of the resulting confusion in the arrangement of the goods in the car or truck and the general method of loading. The responsibility for errors and improper loading could never be definitely fixed.

As pointed out, the average packing-house week is now only about 41 hours. Therefore, the average daily number of hours breaks badly as between one and two 6-hour shifts. It would be impossible to maintain a shift of experienced capable men unless a reasonably definite amount of work could be offered each day. Prospects of an occasional few hours' work per day would not be attractive, and any attempt to cut a regular shift to less than 6 hours would cause serious objection by the persons affected.

It should be borne in mind that a 30-hour week is the maximum under this bill. Likewise, 6 hours is the maximum day. Because of the impracticability and virtual impossibility of stopping in the midst of many packing-house operations, the stopping place would have to be the point short of 6 hours where it would be most logical to stop, which would almost certainly result in an average of less than 6 hours per day or 30-hours per week.

The meat packers have not made use of labor-saving devices to the extent that other industries have. Another effect of this bill would be to bring about a more intensive mechanization of the industry in the effort to reduce costs. Such a result would offset any increase in employment which the bill might bring about.

(*a*) The farmer will bear the cost: Sight should never be lost of the fact that anything which handicaps the meat-packing industry, whether it comes from within the industry itself or from without, will have a corresponding effect upon the livestock producer. This is so because the meat-packing industry is really the marketing agent of the farmer. It has long been conceded that the selling price of meats determines the price which the farmer receives for his livestock. The time elapsing between the purchase of the live animal and the sale of the finished product is so short as to be reflected back in the current buying price. It follows, therefore, that whatever expense a short working day would entail on the packing industry (and it would cost the industry as a whole many millions of dollars) would to that extent depress the prices paid the farmers for their livestock.

The packing industry operates on a very narrow margin of profit. As reported by the Packers and Stockyards Administration, the industry as a whole, for the most recent 5-year period, 1929 to 1933, inclusive, earned on 17.82 cents per dollar of sales—less than 1 cent for each dollar of sales. This is an extremely close margin of profit, and does not exceed one-sixth of a cent on a pound of product.

For the 10-year period, 1924 to 1933, inclusive, it was $1.27 for each hundred dollars of sales, or approximately one and a quarter cents for each dollar of sales.

This close operating margin of profit illustrates the fact that the meat-packing industry is a low-cost small-profit business. The narrow margin of profit would not permit the industry to absorb any additional expense entailed by such proposed legislation.

113926—35——10

The price of meat is determined by what the consumer is willing to pay. This is true because the perishability of the product prevents its being held, and requires its being sold while fresh and wholesome. To just what extent it will be possible to pass along to the consumer any of the additional expense occasioned by the proposed legislation is problematical and doubtful. The packer's operating margin cannot absorb an increased expense. Therefore, it should be borne in mind that there are only two sources from which this additional expense can be made up: The producer of livestock and the consumer of meat. It is beyond belief that the increased cost resulting from this hours-of-work bill, can be passed along to the consumer. If it cannot, it must, of necessity, come out of the returns to the farmer.

(*b*) Livestock cash market: The farmer now has a daily cash market for all the livestock he cares to send to the central markets. It is always sold and never returned because of a lack of market. A limitation of hours of work might very produce a condition where the packers buying on the central markets could not buy all of the animals offered for sale each day. For instance, should such packers on heavy-run days decide to limit their buying to such quantities of livestock as could be slaughtered within the limitations of a 6-hour shift, it would undoubtedly result in livestock being left unsold and carried over until the following day or days, at the expense of the farmer.

(*c*) Intrastate packers: The proposed legislation will not in any way affect the intrastate packer. Therefore the additional expense of the legislation may result in many plants now doing some interstate business becoming intrastate plants. The elimination of interstate packing plants will seriously affect the outlet of producers because approximately two-thirds of the slaughtering of cattle, hogs, and sheep is done in interstate packing plants. Approximately 70 percent of the meat animals (8 percent of beef cattle) of the United States is produced west of the Mississippi River, while approximately 70 percent of the meat is consumed east of it. More specifically, about one-third of the meat is consumed east of the Ohio and north of the Potomac Rivers, where there are practically no meat animals. Consequently, this large eastern consuming territory depends for its meat upon animals from the far West, and, following economical practices, these animals have been slaughtered in interstate plants of the West and Middle West, and the meat transported to these eastern consumers.

A discontinuance of the interstate meat-packing plants would force livestock producers to adopt the uneconomical practice which they, for the most part, discarded years ago, of shipping live animals long distances and paying high freight rates on the entire weight of the animals, whereas the weight of the dressed meat is only 65 percent in the case of cattle, 50 percent on lambs, and 75 percent on hogs. By marketing their livestock near home and having the meats shipped to distant consumers, an expensive loss in shrinkage is avoided, the expense of marketing is reduced, and consequently a larger return is received by the farmer.

Limiting the outlet of livestock producers by restricting the operations of or closing interstate packing plants affects grain and hay

farmers. The United States Department of Agriculture is authority for the statement that 85 percent of the corn is marketed through livestock. Hays and other feeds are used similarly to a greater or lesser extent. Hence anything which affects the return of livestock producers will affect the prosperity of all kinds of farmers.

Further, the intrastate packers, not being burdened with the increased expense occasioned by this legislation, and, therefore, able to undersell the interstate packers, would, through their competition, prevent the interstate packers from passing these increased costs along to the retailers, and hence on to the consumers. The increased cost to the interstate packers would have to go back to the farmers.

The proposed legislation cannot in any way protect the interstate packers from the competition of the intrastate packers, and wholesalers and jobbers of meats who sell only in the State where the animals are slaughtered, and who will not be in any wise affected by the provisions of this bill.

Federal Meat Inspection Act: The Federal Meat Inspection Act of 1906, and the exacting regulations of the Bureau of Animal Industry thereunder, caused many packers formerly doing some interstate business to give it up and confine their activities strictly to intrastate business. It is certain that the burdens of any such bill as the one under discussion would likewise cause many packers now doing only a small interstate business to limit their activities to intrastate business.

All interstate packers must have every animal slaughtered under the supervision of Government veterinarians. The losses suffered by the interstate packers, due to the condemnation of animals on United States Government veterinarian inspection, together with the expense of maintaining their premises and equipment according to the high standards demanded by the Bureau of Animal Industry, make it very difficult for the interstate packers to compete with the intrastate packers who are not so regulated. The additional expense occasioned by a 6-hour day and 30-hour week law would in itself make competition with the intrastate packer very difficult; and when that expense is coupled with the expense and losses occasioned by the Meat Inspection Act, such competition could not be met—it would be ruinous.

The report of the Packers and Stockyards Administration for 1933 shows 206 Federally-inspected slaughterers who slaughter approximately two-thirds of the cattle, hogs, and sheep slaughtered for food in the United States. This would leave the slaughterers of about one-third of the livestock of the country not affected by this bill at the present time. Any increase in the latter would increase the difficulties of competition for the interstate packer.

From a public-health standpoint the Federal meat inspection should be encouraged and extended, rather than discouraged, as it undoubtedly would be by the passage of this bill.

Aside from the effect on the farmer and the unfair competition mentioned, it is earnestly urged that the fluctuating receipts of livestock at the central markets, and the necessity for carrying most packing-house operations through to completion without delay or interruption, makes it imperative that the packing industry have an

elastic employment schedule. Heretofore the packing industry has had elasticity in its hours of work in that overtime is permissible with a penalty of extra pay. A packer is thus enabled to take care of emergencies and be sure that operations, once they are started, are carried through to completion. Under this bill the work must stop at the end of 6 hours, so far as the men then engaged in such work are concerned. The provision for extra hours in cases of emergency, when the necessity therefor is established to the satisfaction of the Secretary of Labor and such permission granted, is not sufficient leeway, as the need for such elasticity is a daily and constant matter.

It is felt that ample facts are set forth in this statement to show that the proposed legislation would have a decidedly detrimental influence upon the interstate packing industry, which buys the major portion of the country's livestock and converts it into meat, and that such detrimental influence would unquestionably be carried back to the producer and cause him to receive less for his live animals. On account of the comparatively short hours already in effect in the packing industry, employment cannot be given the many more employees in such industry without reducing the hours of employment for all concerned to such a point as to make the earnings wholly unsatisfactory to the workers.

It is, therefore, confidently asserted that so far as the interstate packing industry is concerned the proposed legislation would fail to accomplish its beneficent purposes and would actually produce harmful results to a far greater number of people than it would benefit. Therefore, it is suggested that perishable farm articles or commodities and the products thereof should be exempted.

Senator McCarran. I should like to have a little further information as to your background. You have been in this industry how long?

Mr. Harding. Forty-three years.

Senator McCarran. Was there ever a time in the history of your industry when there were different conditions as to hours of labor from what has prevailed in the past 3 or 4 years?

Mr. Harding. The average number of hours that we have worked for the last 25 or 30 years was about the same up to the time the N. R. A. went into effect. We averaged about 46 hours a week. Now we average about 41½ or 42.

Senator McCarran. Was there a time in the history of the industry when the hours of labor in any one plant or company were much higher than they are now?

Mr. Harding. In some instances.

Senator McCarran. What were those instances?

Mr. Harding. In some of the smaller plants they worked 60 hours or maybe 65, but in the larger plants the time was around 46 to 48 hours, usually around 46. When I was working as a butcher I never worked over 46 or 48 hours.

Senator McCarran. What caused the change?

Mr. Harding. From 46 to 42?

Senator McCarran. Yes.

Mr. Harding. The N. R. A. attempting to spread employment. For instance, during the time of the depression 86 percent of our people were employed, as compared with 1928 and 1929. In 1930, 1931, and 1932, 86 percent were employed. Now we have 103 percent employed. We have spread the work out, which gave more people employment and worked them fewer hours. But we must have flexibility, and I will show you why that is so.

Senator McCarran. Was there no time in the history of the industry when there was an attempt to shorten the hours?

Mr. Harding. There was no limit placed by law or custom, but it was good business judgment not to work people too many hours. It was not economical.

Senator McCarran. In other words, it was not good business or economical to work a man until he dropped?

Mr. Harding. That is right.

Senator McCarran. But up to that point, there was no limitation?

Mr. Harding. We kept pretty rigidly to the 46- to 48-hour week over a period of probably 25 or 30 years.

Senator McCarran. What I have in mind relates not only to your own industry but to many others, where the hours have been gradually reduced, and at every period when there was an effort to reduce the hours of labor there was very determined resistance on the part of those employers of labor.

Mr. Harding. You mean the industry itself?

Senator McCarran. Yes. That is largely true, is it not?

Mr. Harding. Yes, sir. We had a 10-hour day years ago. We have an 8-hour day now.

Senator McCarran. When you went off the 10-hour-day schedule, was there not a very persistent resistance to that?

Mr. Harding. On the part of some people there was. We were not so much concerned with the number of hours per day. Under the present agreement we could work 10 hours in any one day, but the thing we are concerned with is a flexible week.

Senator McCarran. Yes; I understand.

Mr. Harding. We cannot control the receipts of livestock. The farmers will send their stock in when they think it is to their advantage.

Senator McCarran. That is the processing of it and the handling of it as it comes in.

Mr. Harding. That is correct. It is all perishable after it is slaughtered and must be handled promptly and in accordance with certain rules and regulations.

Senator Neely. What was the attitude of Armour & Co. toward the reduction of its working day from 10 to 8 hours?

Mr. Harding. Armour & Co. were not in favor of the 8-hour day at that time, because it meant additional facilities to take care of the work in 8 hours that they formerly did in 10. In figuring hours you have so many beds to kill cattle on. They are built on the basis of a 10-hour day. With an 8-hour day we had to increase the number of killing beds, in order to do the work in 8 hours that was formerly done in 10. The thing they were opposed to more than anything else was the basic 8-hour day, or rather, the rigid 8-hour day. There is a difference between the rigid 8-hour day and the basic 8-hour day. The 8-hour rigid day compels you to get through in 8 hours, but with the 8-hour basic day you pay overtime after the eighth hour.

Senator Neely. When did Armour & Co. abandon the 12-hour day?

Mr. Harding. We never had it.

Senator NEELY. Did not the slaughterhouses in Chicago generally work their employees 12 hours a day before the publication of the book entitled "The Jungle"?

Mr. HARDING. No, sir.

It would be impossible for us to have that, because a butcher can't work for 12 hours. I know that from experience. After he has worked 8 or 10 hours, he has worked long enough. We don't get the efficiency out of them after 8 or 10 hours.

Senator NEELY. To your knowledge none of the employees of Armour & Co. ever worked 12 hours a day?

Mr. HARDING. Except in some instances of emergency. They would be individual cases rather than general.

Senator NEELY. There has been no department in which the 12-hour day was customary?

Mr. HARDING. No, sir.

Senator NEELY. Within your recollection?

Mr. HARDING. No, sir. I was a plant superintendent in 1904, and there was no department that worked 12 hours in a department. There might be individual cases where men worked 12 hours in case of emergency, but no department ever worked that long.

Senator NEELY. You may proceed.

Mr. HARDING. I call your attention to the statement you have before you of the receipts at seven principal markets from the Chicago Daily Livestock Market Reports, issued by the Bureau of Agricultural Economics for November 1934. You will notice that for cattle the receipts ranged from 75,000 on Monday to 4,000 on Saturday. You will notice that Monday varied from 75,000 to 49,000. The same is true with hogs. They ranged from about 85,000 on Monday to 15,000 on Saturday, and through the week they varied from 85,000 to 109,000. With sheep, they ranged from 86,000 on Monday to 10,000 on Saturday, and during the week they varied from 86,000 to 34,000 on Monday. The point that I make is that we simply cannot control the receipts of livestock. When they come in we must slaughter them. Therefore our industry cannot operate on the rigid week with any number of hours.

Senator MCCARRAN. I notice your receipts on Saturday were lowest during the entire week.

Mr. HARDING. Yes, sir. The farmer usually likes to be at home on Saturday and Sunday, especially on Sunday.

Senator MCCARRAN. I do not know whether this is an appropriate place to ask the question, but I should like to ask you if it is the farmer who brings the cattle in or is it the intermediate buyer?

Mr. HARDING. In some cases it is the farmer himself; in some cases it is the man who goes out to the farm and buys it.

Senator MCCARRAN. Is it not largely the commission house?

Mr. HARDING. They furnish information over the radio now. They used to furnish it by mail or telegraph to the farmer as to when they think is the appropriate time to put their stuff on the market.

Senator MCCARRAN. My experience is that the farmer rarely brings his stuff to you. I am speaking particularly of the West, where there are certain assembling points, such as Ogden, Utah, and Denver, Colo. He usually brings it to those assembling points and does not, as a rule, ship it to such points as Chicago. I think the western farmer usually sells on the ranch.

Mr. HARDING. That is true of the far West, but it is not true of Illinois, and Indiana, and Iowa, and similar States. Here is a list of terminal markets, and you will find in the early part of the week they are flooded with farmers who come in. What you say is true of Montana, and Idaho, and Colorado, and Wyoming, and that section of the country.

Senator MCCARRAN. There must be a reason for that low figure on Saturday. Is that by reason of the Sunday market?

Mr. HARDING. There is no market on Sunday.

Senator MCCARRAN. They do not bring them on Saturday, because you will not pick them up?

Mr. HARDING. We will pick them up; but if they bring them in on Saturday, they may not be sold on that day, and then the farmer has to wait until Monday and take his chance of selling the cattle on Monday.

Senator MCCARRAN. And he would have to feed them?

Mr. HARDING. And water them and pay yardage on them.

Senator NEELY. The reduction in the receipt of livestock on Saturday seems to extend to cattle, hogs, and sheep.

Mr. HARDING. Yes, sir; that is true in every market we have.

Senator MCCARRAN. That is the general rule in all cases?

Mr. HARDING. Yes, sir.

As I said, our men come in as boys. They start in at the bottom and work their way up, until finally they become master butchers. It takes 10 or 12 years to train a man in that work. We went up against that especially when we were killing Government cattle. We had to go to the F. E. R. C. and ask them to go to the N. R. A. and get us additional tolerance weeks in order that we might slaughter cattle for the Government. We just didn't have butchers available. Outside of our industry, there is no industry of that character that makes butchers. They are peculiar to our own industry.

Senator MCCARRAN. Are these men paid by the hour, by the day, or by the week?

Mr. HARDING. By the hour. There is one thing I want to call attention to here, and that is this: Since this testimony was given we granted an 8-percent increase to our employees. At that time the code called for 42½ cents per hour in cities over 500,000, and we paid 46 then. Today we are paying 50 cents an hour for unskilled labor.

Senator NEELY. Was that increase made as the result of the adoption of the code?

Mr. HARDING. No, sir. At the time the code was adopted we were paying 46 cents. The code increased our expenses 17½ percent, increased our labor costs or rates 17½ percent all along the line.

Senator MCCARRAN. You said that it increased your expenses 17½ percent?

Mr. HARDING. It increased the rate 17½ percent.

Senator MCCARRAN. What do you mean by that?

Mr. HARDING. The average rate paid to employees.

Senator MCCARRAN. Did you not add that to the cost to the consumer or the intermediary who takes the product from you?

Mr. HARDING. You cannot legislate the price that will be paid by the people for food products. When the price gets to a certain

height they stop buying. They buy fish if meat is too high. When fish get too high they buy something else. There is no way of legislating what the consumer will pay.

Senator McCARRAN. You did add some of it to the price of your commodity, did you not?

Mr. HARDING. We added to our cost, and the result was that we suffered severe losses.

Senator McCARRAN. In other words, it apparently cut down the consumption?

Mr. HARDING. We suffered severe losses in our earnings. We made no earnings at all.

Senator McCARRAN. I am speaking of the period when you say your costs were increased 17½ percent.

Mr. HARDING. Since the N. R. A.?

Senator McCARRAN. Yes.

Mr. HARDING. Of course, we had to add whatever increase we had. That either had to come from the consumer, or had to go back to the farmer by a reduction in the price of livestock.

Senator McCARRAN. You had to choose between those two, or stand the loss yourself?

Mr. HARDING. Either the farmer, the consumer or we had to stand the loss.

Senator McCARRAN. I am interested in this particular industry, as I happen to be a grower. Why is it that the farmer receives 4 cents per head for prime steers, and when we buy it in the shape of meat or beef we pay anywhere from 50 to 75 cents or a dollar?

Mr. HARDING. What do you have in mind, Senator, when you say you are only getting 4 cents?

Senator McCARRAN. We have been for the past 2 years. I understand it has gone up in the last few days.

Mr. HARDING. Last week it was 12½ and 13 cents.

Senator McCARRAN. I understand.

Mr. HARDING. I can't answer that. I am not a salesman. I am an operating man.

Senator McCARRAN. Pardon me. I just wanted to get that information.

Mr. HARDING. I am just a butcher. I know nothing about the relation between the consumer's purchase price and the purchase price of our cattle, sheep, and hogs.

Senator NEELY. How do your profits or losses, subsequent to your increase in wages, compare with your profits or losses before the increase was granted?

Mr. HARDING. In the years before we were in the red throughout the entire industry.

Senator NEELY. Have you been in the red or in the black since you have given your employees this increase of 8 percent?

Mr. HARDING. We have been in the black, Senator. The statement that I called your attention to a litle while ago indicates that.

Senator NEELY. According to your statements increasing the wages of labor and shortening the hours of service, did not result in a loss to Armour & Co., but in increased profits?

Mr. HARDING. In the depression period it has, but it had not in the periods prior to the depression.

Senator NEELY. Is it not a fact that history conclusively proves the shortening of hours in industry and the increasing of wages have resulted in increased prosperity?

Mr. HARDING. I think that it is true in the Nation as a whole. I think that is true in the Nation as a whole, Senator. The industry showed 0.82 cent profit for the last year on every $100 worth of sales. The percentage of profit in our industry is a fraction.

Senator NEELY. I understand that the percentage is low.

Mr. HARDING. Yes, sir.

Senator NEELY. But, if you have a very large output a small profit on each sale will amount to a large sum during a year.

Mr. HARDING. As a matter of fact, the packing industry during the past year just barely made enough money to pay dividends to the stockholders, just barely crossed the line.

Senator McCARRAN. What were those dividends?

Mr. HARDING. They varied all the way from 4 to 6 percent.

Senator McCARRAN. Do you have a structure anywhere in your testimony showing your overhead as regards sales?

Mr. HARDING. No, sir.

Senator HATCH. I did not understand one of your answers to a question that was propounded. I want to see if I can get it clearly. Did you say that during the depression the shortening of hours has not decreased your earnings?

Mr. HARDING. No; I didn't say that. I said that during the depression we were in the red. Since the depression, since the N. R. A. went into effect, things have improved in our industry, but our profits are not the same relative percentage they were prior to that.

Senator HATCH. But your profits have increased since the N. R. A. has been in effect?

Mr. HARDING. Since the time of the depression.

Senator HATCH. Over the years during the depression?

Mr. HARDING. That is correct.

Senator NEELY. The company by which Mr. Harding is employed was "in the red", as he has stated, prior to the time the employees were given an 8-percent increase. Since the increase in wages was granted the company has been "in the black."

Mr. HARDING. I want to get you straight on one thing, Senator. At the time the N. R. A. went into effect we were paying 36 cents an hour for common labor. On August 1, 1933, when we signed the President's reemployment agreement and came within the modified code to fit the labor conditions in our industry, in conformity with the code we went up to 42½ cents. That was increased that year. That was 17½ percent, and that took place along the line proportionately among the semiskilled and the skilled men. Then, voluntarily, on our own account, by reason of the fact that we were anxious to hold our people, and that their hours were reduced and their earnings were not quite as much as they were prior to August 1, we raised them again to 46½ cents an hour. That was on December 2. Then, for the same reason, on October 1, 1934, we raised them to 50 cents an hour. That is for unskilled labor, those at the bottom. From there on up they got the same percentage of increase.

Senator NEELY. Was that increase passed on to the consumer?

Mr. HARDING. I could not answer that, I know it was all figured as cost. I am just giving you a statement of bare facts, what actually took place. Whether the farmer or the consumer paid for it, I don't know.

Senator HATCH. I have heard it said that they both paid for it.

Mr. HARDING. I am not qualified to answer that.

Senator AUSTIN. In that connection, it would be interesting to know how much increase in the number of employees there was under the N. R. A.

Mr. HARDING. I can give you that. It jumped from 86 percent normal to 103 percent. That is 17 percent.

Senator AUSTIN. What is the number of employees in the industry?

Mr. HARDING. Three hundred thousand now.

Senator AUSTIN. And that increase in number would amount to what?

Mr. HARDING. Well, about 51,000.

Senator MCCARRAN. At this point may I interrupt?

Mr. HARDING. Yes, sir.

Senator MCCARRAN. Does not that statement largely take its truth from the past rather than the present, in that it is a fact that refrigeration processes at this time will hold meat over for a great length of time?

Mr. HARDING. First answering your question, Senator, refrigeration has been in existence for quite a number of years. There is a limit to the length of time we can hold fresh meats. Fresh pork, for instance, should be consumed promptly. I mean pork that was not frozen. It should be consumed in at least 3 or 4 days, or really sooner. If you hold it 6 or 7 days it begins to deteriorate.

Now, beef is improved with age up to a certain point. In many hotels and clubs they take the sirloins and the rounds and they hold them 2 or 3 weeks until they get whiskers on them, with the mistaken idea that it makes the beef more tender. Beef and mutton and pork commence to deteriorate the minute the animal is slaughtered. Deterioration sets in right away, and it is just a question of time until it gets to the point where you cannot eat it.

Senator NEELY. How long can beef be preserved by proper treatment.

Mr. HARDING. There are two ways of treating beef. One is to sell it in the fresh form.

Senator NEELY. How long can it be preserved in proper condition for human consumption?

Mr. HARDING. We ship cattle from Oklahoma City and Fort Worth, Tex., to Calais, Maine, which takes about 7 days. We can hold it another 7 days with impunity, perhaps 10 days. I would say, roughly, beef can be held in temperatures of from 36 to 38 for 30 days, but no longer.

Senator MCCARRAN. You are no doubt familiar with the importation of beef from South America.

Mr. HARDING. There is none, except in the canned form.

The beef exported from South America goes to England and the Continent.

Senator NEELY. Is any fresh meat imported into this country?

Mr. HARDING. None at all, Senator.

Answering your question further, Senator McCarran, South America, taking about 20 days by boat to England, can land fresh meat in England for sale as such. Australia, being about 3 or 4 weeks from England, must freeze their beef to have it arrive in salable condition. There is a marked difference in the appearance of frozen beef and fresh beef. The Australian beef is sold at a discount as compared with the South American beef.

Does that answer your question?

Senator MCCARRAN. Yes.

Senator NEELY. What is the percentage of deterioration in beef by reason of its being frozen?

Mr. HARDING. When you freeze beef it has a different flavor. It has lost its juice. It is difficult to say just what the percentage of deterioration would be.

Senator MCCARRAN. Do you have any structure showing the overhead of your plant as regards salaries and other overhead, together with the dividends paid?

Mr. HARDING. I have not.

Senator MCCARRAN. What is the average salary of your executive officers?

Mr. HARDING. We have had a change in our organization. I don't know what the salaries are. I am not in a position to say what salaries are paid our people, or what salaries the executives are paid in any of the other plants. They keep that to themselves. The board of directors would be the only ones who could answer that question.

Senator MCCARRAN. There is no way to get that for the committee?

Mr. HARDING. No, sir.

Senator MCCARRAN. Could you give us the dividends?

Mr. HARDING. The four or five large packers paid 6-percent dividends to stockholders.

Senator MCCARRAN. On the common stock?

Mr. HARDING. No; on the various kinds of stock. The capital structure is set up in different ways. On the preferred stock they paid 6 percent. I don't know what they pay on the other stocks. I know that no dividends were paid on the stock of my company.

Senator MCCARRAN. Could you refer us to anyone who would have the structure showing the overhead as regards salaries and dividends and bonuses, if there be any?

Mr. HARDING. The only people I could refer you to would be the Institute of American importers.

Senator MCCARRAN. That is an organization of the packers?

Mr. HARDING. Of the packers throughout the country. It is a trade association.

Senator MCCARRAN. You are not yourself a packer? You represent a group of packers?

Mr. HARDING. Yes. I am down here for the Illinois Manufacturers' Association, and the packers' division of that association.

Senator MCCARRAN. That organization is supported by contributions from the several packing institutions?

Mr. HARDING. The Illinois Manufacturers' Association?

Senator MCCARRAN. Yes.

Mr. HARDING. From several hundred concerns in Chicago and Illinois.

Senator McCARRAN. They contribute to the support of that association?

Mr. HARDING. They contribute to the support of that association.

Senator McCARRAN. That contribution is an addition to their own individual expense?

Mr. HARDING. Correct.

Senator HATCH. I was interested in the statement you just made that this added cost would have to be taken care of either by the consumer or by the farmer. Why should not industry take care of a part of it?

Mr. HARDING. Well, we could not continue to operate if we operate at a loss.

Senator HATCH. The farmer operates at a loss.

Mr. HARDING. If we had continued another couple of years operating at a loss, we would have had hundreds of thousands thrown out of employment.

Senator HATCH. The farmers have been operating at a loss for a number of years. The consumer has generally been operating at a loss. Why should one industry say to another: "We will not share a part of this added cost which is for the benefit of everyone. We will make you take it all."

Mr. HARDING. I can't answer that question, but I can say that if industry cannot make a profit, it must fail. If industry fails, people will be out of employment.

Senator HATCH. You could not share a part of that added cost?

Mr. HARDING. I cannot answer that question. I am not qualified to answer it. It goes over my head, when you get into financial matters.

Senator McCARRAN. I should like to make this comment, so that you may catch my individual viewpoint. This has come to me from an investigation of some other industries of similar character. I would be glad to have my thought exploded, to the extent that I might be enlightened; but I find in an investigation of this kind that the intermediary between the producer and the consumer receives all the benefits and the profits, and the producer and the consumer bear the enormous burden.

Mr. HARDING. I am not in a position to discuss that with you. I can't do it. I can't do it, because I don't know.

Senator McCARRAN. I just leave that thought with you. I want somebody to tell me sometime why it should be.

Mr. HARDING. I can't enlighten you on that. There is just one point I want to leave with this committee.

From a practical standpoint, it is simply impossible—and I say this in all fairness—for us to operate our industry on a rigid week of any number of hours. It is going to mean one thing. It is going to mean that when that certain number of hours is used up, we are going to have to stop buying livestock. We can't do anything else.

Senator McCARRAN. Going back into your own history, you have been in this game—and I do not use that expression in an offensive sense—for a long time.

Mr. HARDING. That is right.

Senator McCARRAN. And you recall the time when the hours were unlimited, I believe you said. I think you said 10 or 12 hours.

Mr. HARDING. Ten, I said.

Senator McCARRAN. In your industry?

Mr. HARDING. Yes, sir.

Senator McCARRAN. When the progress of events came along whereby there was a demand, aided by organized labor or from whatever source it may have come, for the curtailment of those hours, you found the same opposition you now present.

Mr. HARDING. No. We didn't find the same opposition. No one, to my knowledge, took the position that we could not operate on an 8-hour day if we had a flexible week. There was opposition on the part of some people on account of two things—lack of facilities to enable them to do that work in 8 hours, plus additional cost. If they had an 8-hour basic day, they had to pay overtime for the ninth and tenth hours. But nobody ever took the position that we could not operate on a basic 8-hour day. The thought was that they were trying to impose a rigid week on us. We must have a flexible week. We must have elasticity. We simply cannot function in any other way. If we are to be put on a rigid week, it would simply mean that when that number of hours is up, bingo! we have to stop work.

Here is another point I want to leave with this committee: Our product is all perishable. I am not speaking particularly of the products of beef and sheep and hogs, but the byproducts we work up. For instance, in the manufacture of sausage, when a man starts on that job he must finish it. If a man starts to make a certain kind of sausage, he can't stop in the middle any more than a baker can stop making dough and let somebody else take his place. What would happen would be that he would partly finish his job, and then the rigid-hour week would come along and he would have to go home, and that product would spoil.

Senator McCARRAN. Could not someone else step in and take his place?

Mr. HARDING. Not very well. They would not know how far the process has gone.

Senator McCARRAN. Would not that be the same if you had a 10-hour day? When the tenth hour arrived you would have to quit?

Mr. HARDING. I am speaking about the week.

Senator McCARRAN. How do you operate now with the 40-hour week?

Mr. HARDING. With tolerance. We have a 40-hour week, but we have 8 weeks where we can work 48 hours, and we have 8 weeks where we can work 53 hours. When we reach that point in this industry we take advantage of that.

Senator McCARRAN. When you reach the highest point, if you are in process of preparing a product, what do you do?

Mr. HARDING. We have 8 weeks at 53 hours. We can take advantage of one of the 53-hour weeks. We have to plan our work so we can start soon enough to get out in 53 hours.

Senator McCARRAN. Does anyone take his place?

Mr. HARDING. No, sir; he finishes his job in 40 hours, 48 hours, or 53 hours. We have a latitude there of 13 hours, which enables us to plan our work properly.

Senator NEELY. When you reduced the working day from 10 to 8 hours did you not believe you could not accommodate yourselves to that change, just as you now believe that you cannot accommodate yourselves to a reduction from 8 to 6 hours?

Mr. HARDING. We never reduced the working day from 10 to 8 hours. We still work 10 hours on certain days. We frequently kill 10 hours on Tuesday and Wednesday.

Senator NEELY. Do you pay any increased compensation for the work that is done after the eighth hour?

Mr. HARDING. No, sir; under our modified code we are paying time and one-third after the tenth hour.

Senator NEELY. Ten hours is your basic day?

Mr. HARDING. Ten hours is our basic day. We are paying time and one-half instead of time and one-third, as provided by the code.

Senator NEELY. Do you have a basic week under the code?

Mr. HARDING. We have 36 weeks a year in which we cannot work more than 40 hours, 8 weeks in which we cannot work more than 48 hours, and 8 weeks in which we cannot work more than 53 hours. That was given us at that time for the same reasons that I am bringing up here, that we can't operate on a rigid week. You see, we are not dealing in ingots of steel or metal, or anything of that kind. Our product is all perishable. We have a very large number of different processes through which our products must pass.

Some of it is made into sausage. Some of it is cured, and after curing for 60 days it is smoked, and after being smoked for 48 hours it goes to the trade. The ramifications are enormous in our business. When I was superintendent of the Chicago plant it covered 20 city blocks. There must be at least 60 buildings, with a separate process going on in each building. You can imagine what would happen in that plant when the thirtieth hour comes along and everybody quits and goes home, with the building filled with perishable products.

Senator NEELY. Under the 40- or 48- or 53-hour week, employees would eventually have to quit and go home.

Mr. HARDING. Yes; but we have that flexibility whereby we can use additional hours up to 16 weeks. As I said before, we have 36 weeks where we can only work 40 hours, 8 weeks where we can work only 48 hours, and then we have 8 weeks where we can work as much as 53 hours.

Senator NEELY. Can you, in a given week, work a part of your employees 40 hours, another part 48 hours, and still another group 53 hours?

Mr. HARDING. That could be done in one department. You could work 48 hours, and I could work 53 hours, and the Senator there could work 40 hours. We keep a record of each individual.

That is all I have.

Senator NEELY. Are there any further questions?

Senator AUSTIN. Under that system apparently the employee is eager to get as high a number of hours as he can.

Mr. HARDING. That is right. There is another thought I want to leave here. Our people on the average have spent a lifetime in that industry. Most of our workers, especially the skilled men, have had long periods of service. We give a vacation to those who have been with us 10 years or over, and 50 percent of our hourly people get the vacation. That indicates what percentage has been with us that long. They have been accustomed to having certain earnings per week, and they like to get in as many hours as they can, because that increases the pay envelop they take home.

Senator NEELY. What is the length of the vacation?

Mr. HARDING. For those who have been with us 5 years, 1 week's pay; for those who have been with us 10 years, 2 weeks with pay. When we figure the pay we figure the average earnings for the entire year.

Senator NEELY. In case of illness what, if anything, is done for the employee?

Mr. HARDING. We have a health association, and the members of the association after the first week get from $7 to $8 a week.

Senator NEELY. Are those payments made from dues collected from the employees?

Mr. HARDING. No, sir.

Senator NEELY. Or from wages withheld, or are they paid by the company?

Mr. HARDING. It is compensation paid by the company. We carry health insurance on these people and we pay for it. We also have group insurance for our employees, to which they do not contribute.

Senator NEELY. Thank you.

STATEMENT OF R. W. DARNELL, CHICAGO, ILL.

Mr. DARNELL. I represent the Chicago Paper Box Manufacturers' Association and also the set-up paper-box industry, and wish to say a few words on the effect the proposed 30-hour week will have on the industry.

Employees engaged in producing the set-up paper boxes are to a great extent highly skilled, it taking years to develop the experienced machine operators and hand workers.

If the proposed 30-hour week becomes effective, it will be necessary in this industry to increase the number of employees 33⅓ percent in order to produce as much production volume in 30 hours as is now being produced in 40, which is the maximum of hours the industry is working at present. There will, of course, be an immediate increase in labor costs of 33⅓ percent, but this is not the only increase in cost, inasmuch as the new help which will have to be taken on will all be inexperienced and will produce from 20 to 35 percent of the work now produced by the experienced help. Inasmuch as these new employees will be paid a minimum wage, which must be guaranteed regardless of production attainment, costs will be far in excess of the 33⅓-percent advance in hourly wage rates.

Adoption of the 30-hour week will require either additional plant and equipment or the working of more than one shift. In the case of additional equipment it will be necessary for the manufacturer to make additional fixed investment, which will increase cost by the amount of additional depreciation and upkeep. Cost will also be increased due to failing to absorb as much depreciation on equipment now owned on the 30-hour-week basis as is now absorbed on 40-hour-week basis. If in order to avoid additional investment the manufacturer resorts to working two shifts, the cost will be increased through the use of additional supervision and other operating costs.

The 30-hour week will produce higher costs throughout all industries, therefore the paper-box manufacturer may expect to pay more money for his raw materials than he is paying today. These increased raw material costs when added to the increased labor costs

will produce a sales price so high that it will force many present users of set-up paper boxes to adopt other methods of packaging. This, of course, works to reduction of sales-volume earnings and employment in this industry.

The 30-hour week will cause selling prices to be advanced to such an extent that the market for set-up paper boxes will be opened up to foreign competition with a consequent reduction of volume for the domestic manufacturer.

It is felt that the adoption of the 30-hour week will work a terrific hardship on the industry as a whole and will work out in such a way as to put many small and financially weak concerns out of business because it will not be possible to pass the entire increased cost on to the consumer. Those that are not eliminated will have their earnings so reduced that they will be unable to accumulate sufficient surplus to enable them to provide plant and equipment for expansion.

That is all I have.

Senator NEELY. Are there any questions?

Senator AUSTIN. About how many employers are comprehended in this paper-box manufacturers' association?

Mr. DARNELL. I can't give you the exact number, but approximately 2,500 or 3,000 in the Chicago district. It is made up of many small plants. There are a few fairly large plants, but many are quite small and employ but 25, 50, or 75 people. These concerns are very small and have a very limited amount of capital. They have been working under heavy losses for the last 2, 3, or 4 years. They do not have the money, and it would be very hard for them to get the money to provide additional capital to take care of the additional employees that would have to be put on, or to have working capital sufficient to take up any of this increased cost that they cannot pass on to the consumer.

Senator HATCH. What is the condition of unemployment now in your industry?

Mr. DARNELL. As to skilled workers within the industry, there is practically no unemployment. We have difficulty at this time in getting the necessary number of skilled operators. In our own particular company we manufacture only fine paper boxes, which is all hand work. These girls that we have working for us now have been there 10 or 15 years. To bring in new help without experience in that work would be a tremendous cost, because it takes months and years before they can get to a point where they can accomplish anything. That was the point I had reference to a while ago, when I spoke of the additional cost of the 33⅓ percent of the new workers that would be required. Our code requires us to pay a minimum hourly wage. That has to be paid these operators regardless of their productive attainment. If an operator produces only 20 percent of what an experienced operator can produce, we have to pay the minimum wage just the same. They don't begin to break even in our particular concern until they get up to 90 or 100 percent of the standard of production which the other operators are making.

Senator NEELY. Thank you very much.

I am compelled to leave at this time to keep an important engagement, and will ask Senator McCarran to preside.

STATEMENT OF JOHN D. BATTLE, EXECUTIVE SECRETARY NATIONAL COAL ASSOCIATION, WASHINGTON, D. C.

Senator MCCARRAN. State your name and occupation.

Mr. BATTLE. My name is John D. Battle. I am executive secretary of the National Coal Association, a national organization of bituminous coal operators.

Senator MCCARRAN. What is your address?

Mr. BATTLE. Washington, D. C.

This association of bituminous coal operators has membership in every coal-producing State in the Union. The association represents between 60 and 70 percent of the commercial tonnage of the country.

At its recent annual meeting in Washington, the association went on record as being opposed to the proposed 30-hour week legislation. It is opposed to it in general for the reason that it does not believe it will accomplish the things claimed for it, and that, especially so far as the bituminous mining industry is concerned, its effect will be injurious rather than helpful. For the most part I shall confine my remarks to the effects of the measure upon the bituminous mining industry.

The introductory paragraphs of the bill set forth the grounds on which its enactment is advocated. They may be referred to briefly under three heads.

(1) The constitutional justification for Federal legislation affecting hours and earnings is sought through the implication that under the interstate commerce clause, all the conditions surrounding the production of commodities can be regulated by the Federal Government if the goods concerned would afterwards enter interstate commerce. As applied to the bituminous mining industry, this would mean that because bituminous coal enters interstate commerce all the conditions under which it is produced are subject to Federal control. This runs counter to numerous decisions of the Supreme Court, of which I will refer to only two.

In 259 U. S. 355, the Court used the following language:

> Coal mining is not interstate commerce, and the power of Congress does not extend to its regulation as such.

Again, in 247 U. S. 251, 272, the Court said:

> The making of goods and the mining of coal are not commerce, nor does the fact that these things are to be afterward shipped or used in interstate commerce make their production a part thereof.

(2) The second feature of the introductory section consists of a graphic description of the unfortunate effects of the industrial depression through which the country has been passing during the last 5 years. On that phase of the bill we have no comment to make.

In the third place, the introductory section implies that the enactment of the 30-hour week, as proposed in this bill, will serve—

> To provide a fairer and more nearly balanced income; to put idle machines and people to work; to increase the purchasing power of the people and thereby stimulate production to capacity; to revive languishing commerce and trade; and to promote the happiness and comfort of the people.

This implication is entirely unsupported by evidence, and yet from the practical point of view the entire argument for the bill

depends upon the validity of this claim. It is to the practical effects of the imposition of a 30-hour week upon the bituminous mining industry that I wish to call your special attention.

The bituminous-mining industry is one of the great industries of the country. In it are invested billions of dollars and between 400,000 and 500,000 employees are engaged in it. For a decade and a half it has been involved in a desperate and, on the whole, a losing battle with rival sources of heat and energy, especially fuel oil, natural gas, and hydrogenerated electricity. While other factors enter into the choice between bituminous coal and some rival fuel, the fundamental factor is always relative delivered cost. For over a decade after the close of the World War, in spite of a constant downward trend in bituminous-coal prices, the industry saw more and more of its market turning to rival sources of heat and energy. I need only repeat the often-quoted figures published by the Bureau of Mines, which show that whereas in 1920 bituminous coal furnished 66.3 percent of the total energy contributed by the several mineral fuels and water power in the United States, in 1933 that percentage had declined to 45.2. This was a decline of nearly 32 percent. If bituminous coal had furnished the same percentage of the energy requirements of the country in 1933 that it did in 1920, the consumption, even in that year of business depression, would have been practically 440,000,000 tons instead of the actual consumption of 334,000,000 tons.

In October 1933 the industry began to operate under its code of fair competition, which entailed a very substantial increase in mining costs, most of it due to higher wage scales. In April 1934 costs were further increased by amendments to the code, which, partly through the establishment of the 7-hour day, and partly through advances in wage rates, added greatly to the labor cost per ton of producing coal. In the meantime, fuel oil, in spite of efforts to control that industry, advanced relatively little in price; natural gas, unregulated by code and only partially regulated by State regulatory bodies, continued its cutthroat competitive practices; and the production of hydrogenerated electricity was directly aided and stimulated by Federal funds. When the figures are available, it will be found that loss of market to these rival sources of energy is still going on and will continue in the future at an accelerating rate. Neither the capital nor the labor in the industry can afford to add to the price handicap under which bituminous coal is laboring.

The imposition of the 30-hour week upon the bituminous-mining industry would be such a handicap and one of serious proportions. For many years in the industry operated under a 48-hour week. At the time of the adoption of the original code of fair competition in October 1933 the 40-hour week was established. When the code was revised in April 1934 the 35-hour week was introduced. No adequate information with reference to labor cost under the 35-hour week is yet available, but such information has been published by the Division of Research and Planning of N. R. A. for the 40-hour-week period.

Their report shows that labor cost constituted on the average somewhat over 60 percent of the total cost of producing coal, and that total cost averaged $1.62 a ton. Reducing the weekly hours of work from 40 to 30 and maintaining the same earnings per day, as is contemplated in this bill would add 33⅓ percent to the labor cost of producing coal, which would amount to somewhat over 32 cents per ton. Such an increase in cost would involve an increase in the price to the consumers of the 334,000,000 tons of coal used in 1933 by over $100,000,000. A part of this increased cost is already being felt under the 35-hour week. The remainder of it would become effective if the 30-hour week were introduced.

There is no escape from these conclusions. Shortening hours and maintaining wages will increase the labor cost of producing coal, which must lead to an increase in prices if operators are to remain in business; and that increase in price will give additional impetus to the movement away from coal to rival sources of energy which has already wrought such havoc in the industry. A lessened demand for coal, shorter running time, reduced employment, and lower aggregate earnings would be the result.

There is another serious aspect of the 30-hour-week proposal of special significance for the bituminous mining industry to which I wish to call your attention briefly. The consumption of bituminous coal is highly seasonal in character, domestic consumption being almost entirely confined to the winter months, and even industrial consumption being largely affected by climatic conditions.

Storage at points of consumption, on account of the bulky nature of the commodity and its rapid degradation, is necessarily limited in amount, and in most mining fields storage at the point of production is impossible. As a result, the curve of production, month by month, tends to follow the curve of consumption. In a normal year the demand for coal in the country as a whole, and hence its production, is 50 percent greater in some months than in others, while in individual States the variation is even greater. Under no circumstances can regularity of employment throughout the year be maintained in any State. Even the nominal 40-hour week, with no more men working than are necessary to get out the production of the maximum week, means an average for all mine employees in the country of 26 hours a week in the month of minimum production, with averages of less than 10 hours per week in three coal-producing States. Reducing the maximum hours to 30 per week would necessitate employing more men to mine the output of the month of maximum demand; it would reduce the average hours available for the country as a whole in the minimum month to 19.5, with no less than 20 to 25 important coal-producing States furnishing less than 20 hours per week of employment. A maximum 30-hour week would mean an actual average weekly hours of employment throughout the year of 21.76 in Illinois, 21.45 in Missouri, 19.68 in Colorado, and 16.45 in Utah. There may be industries in which a 30-hour week would mean a 30-hour week; in the bituminous industry, because of its seasonal character, a nominal 30-hour week would mean an actual average for the hundreds of thousands of men in the industry of about 24 hours a week throughout the year. This extremely short work week would be enjoyed not only by the 400,000 men needed in the industry while operating under a 40-hour week but by an additional 100,000 men needed to get out the production of the maximum month under a 30-hour week.

We are not quite able to understand how it can be contended that interstate commerce is now burdened, hampered, and clogged be-

cause of idleness of workers and machinery. What is needed is commerce. The limited amount that is now flowing is moving freely. There are idle men, idle locomotives, idle mines. There is simply not enough demand to keep them busy. We cannot follow the reasoning that the American people have been deprived of the incalculable advantages and benefits of the abundance of goods. Certainly this does not apply to coal, for the mining industry produces only to meet the demand and unless industry in general creates that demand, the coal industry will, of course, not be able to put men to work.

A suggestion has been made that mines should work two 6-hour shifts daily and thereby increase the number of men required to produce coal by double the number already employed. This would, on the surface, appear to offer a solution, but the facts are that coal cannot now be sold when mines are only working from 3 to 4 days per week on a 7-hour basis; and it is pertinent to inquire how we can sell the quantity of coal that would be produced in 12 hours per day at a higher cost per ton.

Another feature in connection with this suggestion is that in many sections of the country the men who work in coal mines live at the mines in houses built by the mining companies for that purpose. To employ two shifts would require the building of more houses. In fact, the facilities would have to be doubled. I know of no mining company in a position to carry out any such program at this time. In many instances there is no place to build homes even if a company were financially able to do so.

It must also be borne in mind that there would be created the rankest kind of discrimination as between certain sections. Some mines are located near towns or cities and the employees do not live at the mines. A mine so located might employ two shifts if there were a demand for the coal. Such a mine might, under certain peculiar conditions, operate 12 hours per day, whereas it would be utterly impossible to apply the two-shift system to competitive mines in the mountainous sections, and thus one section of the country would be given a decided advantage over another.

Bear in mind that about 60 to 65 cents out of every dollar paid for the production of coal goes to labor. The labor cost in the production of oil, gas, and hydro power is so small that we have never been able to figure it out. This fact, I suggest, answers the question as to why there would not be an increase relative in character for all industries.

The bituminous-coal industry has already adopted the 7-hour day. It is cooperating with the administration and desires to continue to do so. It has done everything within its power to live up to its code of fair competition in letter and spirit. Your attention is called to the fact that over 400,000 tons of anthracite coal came into this country last year, and a similar quantity the year before from overseas. Almost 150,000 tons of coke came in from overseas. The great portion of it comes in duty free. It displaces American workmen in our mines. It is true that this is a relatively small quantity compared with the total production of this country, but it is just enough to upset the markets where it is sold. In common justice to the coal-mining industry, both capital and labor, those overseas imports should be stopped.

We earnestly believe that the 6-hour day, 5 days per week, will do injury to the bituminous coal industry. The facts on which these

statements are based are fully set forth in this small pamphlet, which I beg leave to file with the committee and ask that it be made a part of the record of my remarks.

Senator AUSTIN. I wonder if the witness could provide several copies of this pamphlet, in order to avoid the necessity of printing it.

Senator McCARRAN. It would be a great saving if we could have it.

Mr. BATTLE. I will be glad to do so.

Mr. BATTLE. As I said, we are operating today on the 35-hour week, 7 hours per day. We don't know definitely the result of that as yet. We know it has increased costs materially. We are not at all convinced that the 6-hour day and 30-hour week will not put us out of business. We have lost over 100 million tons of coal per year. Anthracite is not under a code. Oil is under some sort of code, and natural gas is under no code. Hydroelectric power is under no code.

There is no desire on the part of this industry not to go along. We are the only great industry that has voluntarily gone on the 35-hour week trying to help out. It has not worked. We have been in the red and are in the red now. Individual companies have improved here and there, but on the whole the industry is not making any money. We have hopes that the N. R. A. will be continued. We have petitioned the President for it. We still have faith in this administration and this code, and believe we are going to derive some benefits from it, but we don't believe we can do it with a 6-hour day.

Senator McCARRAN. You referred to the difficulty of working double shifts. How many shifts are the coal mines working now?

Mr. BATTLE. One. There may be an individual company here and there, but we only work 4 days a week. This industry is highly seasonal. In some sections we are not operating even now. In other sections in the summer we don't operate, because there is no demand. Our industry does not produce coal that is not needed. There is no place to put it. It is not economy to store coal at the mines. It is tremendously expensive.

Senator McCARRAN. Perhaps it is not apropos to this discussion, but for my own enlightenment, I should like to ask what is the average percentage of loss in coal by storage?

Mr. BATTLE. I would be afraid to guess, but it is terrific, depending a good deal upon the particular kind of coal, whether hard or soft. Anthracite being a very hard coal perhaps has very little. I would say 10 or 15 percent on soft coal. In the lignite, when it dries out, if a wind comes along, it will blow it all away. It has 20 to 20 percent moisture in it, and as soon as that dries out, you might lose it all.

Senator McCARRAN. Pardon me for the interruption.

Mr. BATTLE. That is all right.

Senator McCARRAN. What are your hours of labor now?

Mr. BATTLE. Seven hours per day; 35 hours per week.

Senator McCARRAN. How was that established?

Mr. BATTLE. By collective bargaining with the labor organizations.

Senator McCARRAN. Is there any legislation in any of the States bearing upon the hours of labor in coal mines?

Mr. BATTLE. I think not.

Senator McCARRAN. I come from a metal-mining State, and we have a definite statute there fixing 8 hours as the limit at the various metal mines and smelters.

Mr. BATTLE. If we construe what has been done in some States in enacting N. R. A. laws, it might be that there is some such legislation. I am not familiar with that. You will recall the Industrial Court case in Kansas a few years ago, in which hours of service were established, and I believe wages were established. The Supreme Court kicked it out as not being constitutional. I don't know that hours are definitely fixed, except with respect to child labor in quite a few of the States. That is taken care of under the codes. Ninety percent of the industry is working under union contracts.

Senator McCARRAN. Your local unions enter into collective bargaining and fix the hours and wages?

Mr. BATTLE. That is on a national scale. In the East, where the great portion of the coal is produced, some 70 percent in what is called the Appalachian Range, we have a basic 7-hour day and 35-hour week agreed upon. The N. R. A. automatically extended that basis to the rest of the country, with varying differentials for day wages and so on.

Senator McCARRAN. What does the average coal miner now receive in wages?

Mr. BATTLE. In the aggregate, I don't know. I don't have that figure with me. But the day rate in the East, generally a little higher than in the West, is about $4.60 a day to $5.50. That is for common labor. The miner is a skilled workman and works by the ton, but he is limited to 7 hours.

Senator McCARRAN. What does he earn as a rule on that basis?

Mr. BATTLE. He is guaranteed as much as the highest day man. He must make that much, and all over that he can. He will make anywhere from seven to eight dollars a day. The very skilled miner with a good coal seam will make more than that. But he doesn't get many days' work, because there is no demand for the product. The importation of coal from Russia, England, and Germany, over 400,000 tons last year, has had a very bad effect, and for every ton of coal we lose in this country in our mines some man loses a day's work.

Senator McCARRAN. How long have we been receiving coal from Russia?

Mr. BATTLE. A couple of years.

Senator McCARRAN. How does that come in? How about the duty?

Mr. BATTLE. In spite of the duty on coal from Russia they still can send in a great deal. We got Congress to pass a law in 1930 providing $2 a ton on coal from overseas. That was kicked out by the courts on the ground that there was discrimination, because it did not apply to Canada. We could not afford to apply it to Canada, because we get very little coal from there and we send Canada 10 or 12 million tons. It did not conform to the so-called "favored nation" clause, and it was kicked out. It is coming in right along from Belgium and Germany and Russia. I don't know what the cost is in Russia, but they can easily pay the $2 a ton and still sell it in competition with our coal in Boston and New York.

Senator McCARRAN. What is the quality of that imported coal as compared with American coal?

Mr. BATTLE. Russian coal is excellent. It is very good. It is good enough to sell right along with ours, and sometimes for a little bit more.

Senator AUSTIN. Do we have a coal produced in America that you can light by touching a match to it?

Mr. BATTLE. I don't think so, Senator. I would hardly think so. There may be a few mines having so-called "highly volatile" coal, but I would think that is very far-fetched.

Senator AUSTIN. When I was in the Orient I saw coal that would start very easily, sometimes with just one match.

Mr. BATTLE. Do you know where that came from?

Senator AUSTIN. It came from somewhere in the north. I do not think it came from Russia, but it was the northern part of China.

Mr. BATTLE. I never heard of that particular quality.

Senator AUSTIN. We used it in the open fireplace. It would flame quite readily and burn right up.

Mr. BATTLE. We have an excellent coal that is called "cannel" coal that burns up quickly.

Senator AUSTIN. I have used that, but it does not compare with the other.

Mr. BATTLE. You cannot light it with a match.

Senator HATCH. I have received a number of telegrams from coal operators in New Mexico all opposed to the 30-hour bill. Is that the general sentiment in the coal industry?

Mr. BATTLE. There is no question about that. They can't see where it will put men back to work. In our State in particular we suffer from a very vicious form of competition. They will go to a man and say, "We don't care what your fuel bill is every year, we will make it 10 percent less." You can't meet that kind of competition. That is what they are doing. Your State is in the same position, Senator McCarran.

Senator McCARRAN. We do not produce either. All we have is gold and silver.

Mr. BATTLE. I mean as to the plants that use coal. The competition is terrific. They will come in and say, "We don't care what your fuel bill may be, we will make it 10 percent less." It is impossible to meet that sort of competition.

Senator HATCH. That is true. I know that. I was asked if the industry is doing anything with reference to the importation of foreign coal.

Mr. BATTLE. They do not seem to be able to get around that "favored nation clause." I would like to try. We are up against just this. We can't afford to jeopardize this business with Canada, the 10 or 12 million tons we send over there, and we can't ask the passage of a law that will not apply to all countries alike.

Senator McCARRAN. How about the discrimination clause with respect to treaties with other nations, in regard to discriminating against our country? For instance, Russia and England.

Mr. BATTLE. I don't know of any way that our Government can overcome it. We get very little comfort from our State Department. The Attorney General's office did support our contention in this coal fight on the "favored nation" clause, but the State Department seemed not to feel that way about it. I would like for the Senators

to help us solve this question. There is only one way—just embargo it. I think that could be done.

Senator HATCH. I am interested in that because the coal industry is quite a large industry in my State and is in a rather bad condition.

Mr. BATTLE. That is true. I am familiar with that condition. There is one thing you could give us a lot of help on. That is to increase the tax on fuel oil that is being imported and which is displacing an enormous quantity of coal on the Atlantic seaboard.

Senator MCCARRAN. From where does that come?

Mr. BATTLE. Usually from South American countries. It is a cheap oil that is brought in and sold for almost any old price. They sell it at a price that puts coal out of business. We have a tax of 21 cents a barrel, and it is suggested that it be made 42. That would help some. Every ton of coal we can add to our production gives somebody a day's work.

Senator HATCH. That would also put men back to work in the old oil fields.

Mr. BATTLE. It would. The independent producers are very strongly behind that movement in this country. I don't think the large producers are. Some of the oil wells in the South American countries are controlled by our large companies here.

Senator MCCARRAN (presiding). If there are no further questions, we thank you for your statement.

The subcommittee will stand adjourned until 10:30 tomorrow.

(Whereupon, at 4:10 p. m., the subcommittee adjourned until the following day, Saturday, Feb. 9, 1935, at 10:30 a. m.)

THIRTY-HOUR WORK WEEK

SATURDAY, FEBRUARY 9, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

Pursuant to adjournment, the subcommittee reconvened in the committee room, Capitol, at 11 a. m., Senator Pat McCarran presiding.

Present: Senators McCarran (presiding), Hatch, and Austin.

Senator MCCARRAN. Gentlemen, we are ready to proceed.

Senator AUSTIN. Mr. Chairman, I wish to note on the record the receipt of petitions from employees as follows:

The employees of Bostwick Bros., coal and lumber dealers, St. Albans, Vt.

Employees of C. E. Bradley Corporation, Brattleboro, Vt., manufacturers of products of hardwood.

Employees of Fred W. Alexander, Woodbury, Vt., manufacturer of caskets and funeral supplies.

Employees of C. L. O'Claire Granite Works of Waterbury, Vt.

These are filed with the committee.

I want to note also the receipt this morning of many letters of manufacturers scattered all over the United States, North, South, East, and West, which are filed with the rest of the correspondence. There is one letter here that I think should go in the record verbatim, from the dean of the Graduate School of Business Administration of Harvard University, Dr. Wallace B. Donham, which reads as follows:

HARVARD UNIVERSITY,
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION,
GEORGE F. BAKER FOUNDATION,
February 7, 1935.

Hon. M. M. NEELY,
Senate of the United States,
Washington, D. C.

MY DEAR SENATOR: I should like to present to you some of my reasons for opposing the 30-hour week bill.

I am on record as an advocate of shortening hours at the same hourly rate in the earlier days of this depression in order to share the work and of legislative action to make the work-sharing general. Moreover, I earnestly hope that the future level of national productiveness will permit our workmen to have more abundant leisure. At the present stage of national recovery, however, we have already gone as far in shortening hours as is safe. Increasing the dose of this medicine would be most dangerous. It would not be possible to prevent an increase in the labor costs, because we could not, and in many industries should not, cut hourly rates.

Advances in labor cost would advance prices and cut profits which are already dangerously low. Advancing prices at the expense of consumers would check buying and create more unemployment. It would run up the cost of living. It would set us back from our goal of a better balance between agricultural and

other prices. Cutting profits would remove the leading incentive to hiring more men.

Depression unemployment is most serious in our capital-goods industries. One of the most gratifying recent developments has been the evidence of recovery in such industries, as illustrated by the increased operation in steel. The capital-goods industries cannot stand the burden of the 30-hour week. Cutting profits in other industries would remove the leading incentive to purchase the products of our capital-goods industries. Any possible stimulus to replacing high cost labor by machinery would give little work to the machinery industries—less than the unemployment the machines created. I am one of those who believe we spent too much on capital goods and not enough in consumers' purchasing power during the prosperity boom, but at this time profits are too small and purchasing of capital goods is entirely inadequate. Cutting down on profit would nullify the excellent work the S. E. C. is doing to promote the resumption of well-considered investment to help the capital-goods industries. It would reduce the incentive to borrow and undo everything which has been done to make bank credit abundant and available.

The 30-hour bill is therefore harmful in itself and inconsistent with the major objectives of recovery. Nothing is more important at this time than that those who are concerned with creating jobs and wages should be thoroughly realistic. They must not hold out false hopes of easy solutions. They must be conscious of their great responsibilities and use their sober judgment. The passage of this bill would be a collapse of leadership induced by the unthinking demand of great groups of people who do not understand its inevitable consequences.

If I can be of any assistance to you by appearing before your committee or otherwise, I shall be glad to do so.

Very truly yours,

WALLACE B. DONHAM, *Dean*.

STATEMENT OF HAROLD G. MOULTON, REPRESENTING BROOKINGS INSTITUTION, WASHINGTON, D. C.

Senator MCCARRAN. State your name and place of residence.

Mr. MOULTON. My name is Harold G. Moulton, Washington, D. C.

Senator AUSTIN. Mr. Chairman, I request that Dr. Moulton be qualified, not because I have any doubt of his capacity to speak as an independent or as an expert but for the benefit of the weight of his qualifications on his evidence.

Senator MCCARRAN. I think it would be well for Dr. Moulton to state his experience in consideration of this matter and anything else he may care to say.

Mr. MOULTON. I have been for the last 12 years the head of the Brookings Institution, which is a research organization founded by Mr. Brookings and other individuals and foundations for the purpose of studying these problems from a nonpartisan point of view.

Our charter says that we must study them "without regard to the special interest of any group of the body politic, whether economic, social, or political."

Our interest in this particular field, this 30-hour week proposition, is the outgrowth of a very comprehensive investigation on which we have been at work for the last 2 years. We call that investigation the relation of the distribution of income to economic progress. We started with a big question mark in our minds as to whether perhaps an unequal distribution of wealth might not be the cause, not only of the recurring break-downs in our economic system but also the cause of failure to operate at full maximum capacity, even in good times. I think it would be helpful if I

would briefly state the tentative conclusions which we have reached in the earlier stages of our investigation.

Senator MCCARRAN. I would like to ask one or two questions as to your sources of support. Do you receive contributions from private concerns?

Mr. MOULTON. No. Our sources of support are from Mr. and Mrs. Brookings, who created a permanent endowment, and from foundations, which have been organized for the purpose of promoting scientific and economic development. The foundations that have contributed are the Rockefeller Foundation; the Carnegie Corporation, which is the holding company for the Carnegie wealth; and the Falk Foundation at Pittsburgh, which was created about 3 years ago, with a broad charter, the funds to be used solely for the promotion of human betterment. We have never received any aid for our researches from private individuals or from business groups or corporations. We are completely free. If we make mistakes in our conclusions, they arise out of our own intellectual incapacity rather than out of any controlling force.

Senator HATCH. With reference to the questions suggested by Senator Austin in regard to your qualifications, I would like to go a step further. You have just given your connection with the Brookings Institution.

Senator AUSTIN. I will ask him a question about that.

What special knowledge or experience and practical use have you made of education which you have relating to economics and social questions?

Mr. MOULTON. I am not quite sure whether you want to have me give a statement of what I have done.

Senator AUSTIN. Yes.

Senator MCCARRAN. Give us the background of your study and experience.

Mr. MOULTON. Who's Who in America gives a pretty full statement, but in brief it is this:

> I graduated from the University of Chicago. I took a doctor's degree at the University of Chicago. I then served successively as instructor, assistant professor, associate professor, and full professor at the University of Chicago in the field of economics. During that period I wrote four volumes dealing with various economic problems, some in the field of transportation and others in the field of finance. When the Institute of Economics, which is now a part of the Brookings Institution, was formed in 1922 I was chosen as director of that Institute by the board of trustees. I have served in that capacity since. The institution, as a whole, has published something like 150 studies dealing with many phases of national and international economic problems. I am the author of 14 volumes dealing with different phases of our economic system.

Senator AUSTIN. How many years have you been specializing in this work?

Mr. MOULTON. I began my graduate work in 1909, and I have been giving my entire time to the study of these problems in all the intervening years. I have never had any business connections. I have been solely in the professional field, with university and research institutes.

Senator MCCARRAN. Have you been the author of any work touching on this subject?

Mr. MOULTON. Yes. That is the point at which I wish to take hold of this particular subject.

Senator McCarran. Will you give us the title of that work?

Mr. Moulton. Under the study which treats of the relation of the distribution of income to economic progress, we sought first to ascertain what the productive capacity of the United States is. That is to say, if we were operating our plant at capacity in all the different lines and utilizing our labor to the full, what would have been our total productive capacity? We took 1929 as the base, because that was a year of great activity. I was part author of that phase of the problem.

We arrived at the conclusion that we could have produced about 20 percent more than we did produce, were there no impediments interfering with the operation of the economic system. That is to say, assuming there was an abundant purchasing power and demand, so that business men would have found it possible to sell a larger volume of goods, we asked how much more could have been turned out by our economic machine as a whole?

In order to get the answer to this question you cannot take just one industry. We studied agriculture, mining, manufacturing, distributing agencies, transportation, labor supply, and also the adequacy of our money and credit system to turn out the goods and services which society required.

Now, in brief, our conclusion was that, instead of producing about 81 billions of dollars of national income, measured in terms of 1929 prices, we could have produced about 97 billion dollars. That is a rough figure. It might be 100 or it might be 93; but there was about a 20-percent slack in our system at the peak of the expansion period. We could have produced substantially more and given to America a substantially higher standard of living in 1929 than we did, had there been no impediment which prevented the full functioning of our economic system.

That, in a word, is the conclusion that we reached in the first segment of our study, which we called "America's Capacity to Produce." It is a 600-page volume in which we set forth in great detail the methods that we used with reference to our investigation in each of those fields.

I think we can say that we have had two criticisms with reference to this phase of the study. One is that we overstated the potential capacity. The other is that it was a lot more. Some contend that we could have produced 125 or 130 billions. I think one estimate was 135 billions. Others say we were pretty nearly at the peak. We believe, on the basis of our analyses of these data, that we were on a pretty sound basis in saying that there was something in the neighborhood of a 20-percent slack. In the war time when we had a remarkable demand for war materials, and when the economic system functioned under high pressure, we had an expansion of about 15 percent.

We come next to the question of how the national income is distributed among the various groups in society, with a view to ascertaining whether perhaps a faulty distribution with too much going into the hands of the upper group and not enough into the hands of the great masses, might itself be a potent economic factor in restricting the demand for the products which industry might turn out.

To make quite a long story short, that is published under the title of "America's Capacity to Consume." We have shown by means of charts and diagrams, first, what the total amount of income was, how it was divided among the various groups in society, between wages and salaries (and the salaries of the corporate officials separately), profits, and rent.

Then we showed the shifts in income distribution over the period from 1900 to 1930. Next we showed how it is divided among the various income groups, what percentage of the population has incomes below $1,000; what percentage of the population has incomes from $1,500 up to $2,000; and so on up to the high levels. I want to give you just one statement on that which I think is particularly relevant to this 30-hour-week proposal. There were 10 million families out of 27½ million that had incomes between $1,000 and $2,000.

Senator McCarran. In what period?

Mr. Moulton. In 1929, at the peak. Sixty percent of the total number of families had incomes under $2,000. The average family income was about $2,700 or $2,800, but that included the wealthy along with those at the bottom. The median family income, that is, the figure in the center of the scale, with as many families above as below, from practically the same number, was $1,800.

Senator McCarran. That conclusion would be arrived at by leaving out the higher brackets?

Mr. Moulton. No; that is simply the income at the middle of the entire range from lowest to highest.

Our conclusion in that second volume was that a very large percentage of the income was going to a relatively small percentage of the entire population, and that the tendency for income to be unequally distributed was becoming more pronounced in the post-war era. That is to say, comparing 1900 with 1929, or 1910 or 1915 with 1929, the income was in fact more unequal in 1929, tending toward more rapid growth of the higher incomes. It is not true that the poor were getting poorer. They were also getting higher standards of living, but the growth at the bottom was not as fast as it was at the top.

One significant thing we arrived at was that that when you get the income very highly concentrated, a bigger percentage of the national income is saved each year. People with large incomes can save very easily a considerable portion. The aggregate savings of those at the bottom did not bulk very large. The more uneven the distribution of the national income the bigger the percentage that will be diverted into savings and investment channels as compared with what goes into consuming channels which constitutes the demand for the products of industry.

With that general background, let us now relate some of these findings to the 30-hour week proposed here.

The 30-hour week is advanced as a means of increasing the purchasing power of the masses, thereby stimulating purchasing and productive activity. Looking at the problem from one side, it sounds very reasonable that putting a large purchasing power in the hands of the masses would create a big flow of money through the channels of distribution, which would bring forth a greater utilization of our capacity. That is, however, only one side of the question.

The other side of the picture is the capacity to turn out the goods and the services which largely constitute the real income of the people. The production of 1929—and I want to focus your attention

on that point—amounting to an average of about $2,700 per family, was accomplished on a 50-hour work-week. Over a 30-year period from 1900 to 1930 the work-week was reduced from 57 hours in 1900 to 51.3 hours in 1919 and 50 hours in 1929. There was a 13 percent reduction in the average work-week between 1900 and 1930, in that great period of economic expansion. While getting a shorter work-week to the extent of 13 percent, we got an increase in per capita income of the American people in real terms, of about 40 percent. In 30 years we reduced the work-week 13 percent and expanded production capacity about 40 percent. That is the measure of our achievement, in general terms, in that great era of expansion.

Now, in 1929 we produced an inadequate national income, an income not sufficient to give to the masses of the people of this country the standard of living to which we aspire. That was accomplished on a 50-hour work-week basis. Now, if we reduce the work week to 30 hours, are we going to be able to produce as much as we did in 1929? That is, given full employment now and full employment then, with the 30-hour week now as against the 50-hour week then, would we be turning out the required volume of goods and services—which constitute the real means of the living of the people?

Unless it can be shown there was an increase in efficiency between 1929 and 1935 sufficient to offset the difference in the working hours, it is clear that the volume of production would be less.

The figures we currently see with reference to increased efficiency are somewhat misleading. The average efficiency in 1929, in an hour efficiency, is the average efficiency for all the people who were on the industrial pay roll in that year. That being a year of relatively full employment, we have not only the most efficient workers on the pay roll but we also have the less efficient.

Now, in the midst of the depression the average efficiency of those on the pay roll was naturally increased quite a lot, because we had a selected personnel on the pay roll, and that selected personnel tended to raise the average. If we have full employment, with the 30-hour week absorbing all the unemployed, there will unquestionably be a shrinkage in average efficiency, because our working force would then include the good, bad, and indifferent, from the standpoint of efficiency.

An effort has been made in this pamphlet on the 30-hour week by Mr. William Green to show that we could produce on a 30-hour week a satisfactory standard of living for the American people. That analysis will be found on page 32. It goes to the heart of the question, and I want to direct your attention to the showing there made.

He is using the figures of Dr. Mills, of Columbia University, which are the best figures available, showing an increase in the productivity of the workers. I am reading from line 3 at the top of page 32, where he says:

> When expressed in terms of production per worker per hour, Dr. Mills' figures show an increase in the worker's productivity amounting to 49 percent in the 10 years from 1919 to 1929. During the depression this increase in efficiency has proceeded as rapidly as in prosperity, and for the whole period from 1919 to 1933 the increase was 71 percent.
>
> That is, for every 100 units of product turned out by an average factory worker in 1919, 171 are turned out today in the same amount of time.
>
> In 1919 the average work week in our factories was 52½ hours.
>
> With a 71-percent increase in the worker's producing capacity, work which took about 52 hours in 1919 can now be done in 30 hours.

Let us see what the implication of that is, accepting the figures as given. The real question we want answered is how much did we produce in 1919—if that is the measure of national income that we are going to get in 1933. This says we can produce in 30 hours in 1933 what we produced in 52 hours in 1919. How much did we produce in 1919? The answer is that in 1919 we produced 64 billion dollars' worth of goods and services.

We have to keep in mind two or three things in order to get the significance of these figures clearly in mind. We produced 64 billions in 1919. The population then was 106 millions. That meant $607 per capita as against about $665 per capita in 1929. But that figure of 64 billion is expressed in the prices of 1919, which, as you will recall, were at the peak. That was the post-war period when prices were at the top. So we have to convert the 1919 prices to our 1934 prices in order to get a real measure of the amount of this income as expressed in terms of present prices.

If we produced the same amount we produced in 1919, we would be producing on the basis of present prices $326 per capita. You can take that as round figures. It might be $300 or it might be $350. That is the general range. On a 30-hour week, instead of having a larger per capita income in real terms of goods and services, we would have a very much smaller one than we had in the period of the twenties.

In choosing 1919 as the basis for measuring the expansion of efficiency, Mr. Green chose a year of very great inefficiency. It was a year of full employment. It was a year of demobilization, rapid expansion, and industrial unrest. Hence the average efficiency was very low.

When you measure the increase in efficiency from that basis, you must ask what that era would produce in terms of goods and services, if you are going to have a true measure of the productive capacity of this country on a 30-hour week basis. And I submit that the evidence presented by Mr. Green shows that instead of having higher real standards of living this country would have lower standards of living.

I want to make another thing clear. If the 30-hour week is instituted with no reduction in the weekly earnings of labor, that would mean something like a 30 percent increase in labor costs. The workers would receive the same amount of money for a less number of hours of work. Let us assume that this would absorb the entire number of men now unemployed.

Let us focus for the moment upon the laborers who are at present employed. The employed laborer would have the same money wage. But there would be produced a smaller quantity of goods than we had in 1929. The inevitable result of expending more purchasing power for a smaller volume of goods is to bring about a rise in prices.

That has been shown under the N. R. A. We have tried this plan in a modified way under the N. R. A. I am not opposed to the N. R. A. as a general blanket proposition, but I want to center attention upon the results of the shorter work week and the higher wage costs under the N. R. A. There was, in fact, an increase in prices, at least proportionate to the increase in wages. In other words, workers had more money but they were unable to buy more

clothing and shoes and the material commodities and services which make up our standard of living. The crux of the problem is the effect upon production.

Another point is that the 30-hour week is advanced as a recovery measure, a means of stimulating revival. I believe that the sharp increase in costs that would immediately ensue for all business, big and little, would precipitate a great crisis in business. The increased costs have got to absorb if industry is to carry on. That is perfectly elementary. There are three possibilities for absorbing the added costs.

One is that business might take it out of surpluses or profit margins. We have got a big country and many types of industry and many large corporations. In some cases undoubtedly big corporations would have the funds with which to meet increased pay rolls for the time being. Vast numbers of others would not, and the problem of the small industry under the N. R. A. in meeting the requirement would be magnified tremendously under this, because of its much more drastic character.

The second means is to borrow the necessary funds from the banks. If they are to borrow it from the banks, and we still retain the policy of holding the banks responsible for the safe handling of depositors' money, the banker has got to think in terms of whether he is going to get his money back; otherwise the depositors will lose their deposits. The tendency is for the banker to be very dubious about the ability to absorb that much increase in the cost, unless prices are expected to rise so that the business man can recoup from the sale of the product.

That is the third alternative—that they will get it back out of higher prices. That is what happened under the N. R. A. by and large. There was a good deal of discussion shortly after the N. R. A. was instituted about the ability of business men to finance the added costs. Prices rose so rapidly that in the main they were able to recoup out of higher prices. But the moment that happens you have defeated the purpose of giving larger purchasing power to those who work.

I want to say merely one other thing in conclusion. The whole purpose of our investigation is to find ways and means, if possible, whereby we can get a better distribution of the national income, to the end not only that labor and the families of workers may profit, but to the end that our whole economic system may function more efficiently and on a more satisfactory basis.

Our conclusion simply is that this measure will not only not accomplish anything for the laborers themselves, those now on the pay rolls, but that it will tend to defeat the very purpose which labor ought to be interested in. We are not as yet prepared to indicate the means whereby we think a larger proportion of the income may increasingly come to the masses of the people. We are still in the midst of our investigation. This particular proposal, however, as a means of accomplishing that end, seems to us to be self-defeating.

Senator AUSTIN. Mr. Chairman, may I ask a question?

Senator MCCARRAN (presiding). Yes.

Senator AUSTIN. Without any question, there is a very sincere belief on the part of the proponents of this bill that it will set idle wheels to turning and put smoke in the stacks of closed factories.

I would like to ask you two or three questions that are within the range of my own observation.

Let us assume a little factory that manufactures underwear and hosiery has been running for 50 years, and employing a personnel that at times amounts to 50 men, but less than that ordinarily, which, under the code, was obliged to close down and throw all the 50 employees onto the relief roll. Let me ask you, Doctor, is there anything in this 30-hour-week bill that will revive such an industry as that, or tends to revive it?

Mr. MOULTON. No; I don't think that there is anything in this bill that will tend to revive such an industry. That is one that is dead now.

Senator AUSTIN. It is dead.

Mr. MOULTON. I think, on the contrary, that other industries similarly situated would—because of the high and sharp advance in costs—be unable to continue their operations, and this would intensify the depression.

Senator AUSTIN. I think you have anticipated my second question. I want to assume another condition which I have observed—that of a small factory engaged in the manufacture of golf tees, which has been in the red for years, but has kept employed practically all the inhabitants of a little village. The proprietor of this industry is at the end of the table for credit. He has not been able to comply with the code. He has been in constant fear of prosecution because of his noncompliance. He is under criticism of great manufacturers of golf tees who are his competitors. He is still struggling. I mean to include his employees as well as him, for they are all interested in seeing that little industry continue to operate. What hope is there in this proposal of reducing hours and increasing wages to save that factory?

Mr. MOULTON. If he complied with this measure, he would be driven to the wall. He cannot pay the additional labor costs in the situation you have described. If that is true, gentlemen, in this small industry, it is true in varying degrees in large industries. It may be said the small industries do not count so much in the aggregate. Take the large industries. Take the railroads. The 30-hour-week proposal, with no reduction in weekly wages, might well precipitate wholesale bankruptcy in the railroad industry. The railroads and other regulated industries cannot automatically raise the price as can manufacturing concerns. There is no way out for them unless we are willing to abandon our method of regulation of public utilities and railroads. The question is whether their income is sufficient to permit them to absorb the added costs. I am convinced myself that, by and large, we would have greatly intensified difficulties with our regulated industries.

There is a psychological aspect to this problem, looking at it from the standpoint of recovery, which must not be overlooked. I think the passage of this measure would result in a tremendous wave of pessimism and a tendency toward restraction rather than expansion. That cannot be proved, of course. I am trying to differentiate between the things I can nail down and prove and those I cannot. That is my judgment. In making that differentiation, my judgment

would be that instead of promoting greater confidence and hence recovery, this bill would be a calamity from the standpoint of relief. It would intensify the situation.

Even if you did absorb the unemployed, we would still have to face the fact that we would be freezing the level of productivity in this country at something like the 1919 basis, rather than giving us production adequate to afford the standard of living to which we all aspire.

Senator AUSTIN. Why does it not follow logically and economically that, by putting on double the number of men under this 30-hour bill, you correspondingly increase the production?

Mr. MOULTON. That is, if you had double the number of people at work?

Senator AUSTIN. Yes.

Mr. MOULTON. You are going to reduce the working hours from 40 to 30, let us say. It is roughly around 40 now. You are going to reduce the working hours of those on the pay roll merely sufficient to absorb the others. Hence, you will have the same number of man-hours as before. If you merely reduce the number of hours of certain people sufficient to put other people at work, you are not adding anything.

Senator AUSTIN. I have read your pamphlet The Thirty-Hour Week. Have you some extra copies of that pamphlet?

Mr. MOULTON. I have only one here.

Senator AUSTIN. Are they available?

Mr. MOULTON. Yes.

Senator AUSTIN. I want to ask you, that having been published on January 3, whether your views as expressed in that pamphlet remain the same today as they are there expressed?

Mr. MOULTON. Yes.

Senator AUSTIN. And those views are based upon the studies about which you have testified here?

Mr. MOULTON. Yes.

Senator AUSTIN. Do you now say that these conclusions and opinions which you express in that pamphlet are your present views?

Mr. MOULTON. That is right.

Senator AUSTIN. You have indicated therein the sources of your information, and I assume that they are accurate sources to which you have gone for such information. Is that right?

Mr. MOULTON. Yes. The data with reference to hours, and so forth, do not conflict, so far as that goes, with those offered by Mr. Green. As far as the facts are concerned about the number of hours, and similar matters, there is no material difference.

Senator AUSTIN. There is one topic to which I should like particularly to direct your attention. That is the relationship of this 30-hour-week proposal to relief. What, in your opinion, would be its effect upon relief, and what is indispensable to any act in order to get relief?

Mr. MOULTON. Originally, when the measure was first put up it was, I think, as I read the bill 2 years ago or more, based pretty largely upon a share-the-work program. It was a means whereby the laborers on the pay roll would share the burdens of their fellows by dividing the work and dividing the pay. At present it is intended to share the work, as I get it, without anybody taking less pay. Present workers are supposed to get the same weekly wages, and others will also get wages. That is what creates a disparity between the money income and the goods. But it will still be a means of relief. That is to say, if you can institute it, and assume for the moment you can, and that business will comply, and you get everybody on the 30-hour week, everybody will be working 30 hours instead of a certain portion working 40 hours and the rest not working at all. It will be a sharing of the work. It will be a relief measure in that way. Who will bear that burden, is the real question.

Those who will bear the burden are those who are on the pay roll now, and they will bear it by virtue of the fact that prices will rise and, their weekly wages remaining the same, they will be able to buy a less portion of the goods and services being currently produced than they are now able to buy.

I don't believe that this is the best means of caring for our relief problem. I don't believe that burden should be imposed upon the employed workers of this country. I as assuming now for the moment that there will be general compliance with the measure. I think there are better ways of solving our relief problem than that. I think the existing method which imposes the burden upon people with more adequate means and through governmental channels in the form of taxes which come more from the well-to-do than they do from the poor, is a better method.

Don't understand me as saying I think our present system is working out with perfect satisfaction. I am hopeful that the new relief measure that is being developed may do the job very much better. But the burden of relief should be imposed upon the Nation as a whole rather than upon those now employed.

Senator AUSTIN. I want to ask you whether your studies indicated that there is a marked diversity in the types of industry, having very great differences in the ability of those industries to conform to a rigid number of hours per week?

Mr. MOULTON. I brought along a statement of the full-time hours prevailing in 1928 and 1929 in industry. This will be useful, because it indicates the diversity which does exist in industry. I said the average was around 50 hours. In the textile industry it differs from between male and female workers and between weavers and spinners and others; but it ranges from 51.2 for all forms of female labor to 57.8 for male labor.

Senator AUSTIN. That is what year?

Mr. MOULTON. 1928 and 1929. In woolen and worsted goods the average was very close to 49. There is not much variation there. In men's clothing it was around 43. In hosiery and underwear it was around 53. In boots and shoes it was around 49. In iron and steel it ranged from 57.7 to 62.6. In the open-hearth furnaces the variation was from 55.8 to 60.5. In bar mills it ranged from 53.5 to 56. In the tin-plate mills it was as low as 42.7. For motor vehicles it ranged from 48.8 to 49.7. In foundries, the variation was from 49.9 to 52.1. In machine shops, from 49.8 to 50.5. In the lumber industry it ranged from 55.8 to 57.6. In the furniture indus-

try, the variation was from 42.6 to 52.5. In the slaughtering and meat-packing industry it practically stands at 48.7. In Portland cement, for male workers, it was 60.8; and for female workers, 52. Aircraft engines, 48.9. Petroleum, 48. Pipe lines, 48.

You have a similar variation now. You have a variation not only between industries, but you have a geographical variation that is quite pronounced. I think the rigidity feature of the 30-hour week is a very serious matter.

It seems to me that the N. R. A. code method is infinitely to be preferred and superior to a blanket proposition, because, after all, under the N. R. A. code you study the conditions of each particular industry and adjust the working schedule on a high or a low level, depending upon the circumstances of the particular industry. I think that flexibility is absolutely indispensable. You cannot put American industry on such a rigid schedule as this. Geographical conditions vary, and there are many divergent conditions in particular industries, some of them having to meet foreign competition and others not. Some operate under practically monopolistic conditions and others under competitive conditions. I think you cannot make an inflexible proposition like this work. It seems to me plainly undesirable to try to put a whole industry on an inflexible basis.

Senator AUSTIN. Did you give consideration to that variation in trade which indicates in some instances seasonal peaks, orders withheld until there is need for the goods, and therefore depressions as well as high peaks of activity in some industries, as bearing upon the feasibility of this 30-hour week program?

Mr. MOULTON. Yes. In our general studies of America's capacity to produce we had to give very special consideration in every case to the seasonal fluctuations. We were concerned with it, not solely from that point of view, but because of its bearing upon the amount of production we might get as a whole. Some people say that if production per day is X, and you have 365 days in the year, or if you deduct Sundays and holidays, say 310, and you multiply it, X, by 310, you have the answer as to potential production, namely, 310X. But if you have a seasonal industry where the demand from the public is of a seasonal character, you cannot get the answer by multiplying the capacity per day by 310 days in the year. If you allow for the seasonal factors, it might mean 267 days' operation, allowing for holidays and break-downs, as against a possible 310.

We do have to have some flexibility for seasonal requirements. I would not consider, however, that this is anything like as important a factor in the situation as the general necessity of a varying hours of work basis.

Senator AUSTIN. Doctor, we have had evidence here tending to show that in one activity—I think it is the bricklayers, plasterers, and stone masons—the 30-hour week has been in effect by voluntary agreement for a year or a year and a half in two States—Massachusetts and California. Do you know anything about tht?

Mr. MOULTON. No; I don't know the facts about that. That might well be, in trying to stabilize the situation.

Senator AUSTIN. I have wondered whether it had come under your observation, because we have the curious phenomenon of a great number of petitions from workers in Massachusetts filed with this committee by Senator Walsh, of that State, opposing a 30-hour week. I wondered if there is any relationship between the conditions under those agreements and these contentions made under this act.

Mr. MOULTON. I cannot answer as to that.

Senator AUSTIN. Mr. Chairman, I ask to have filed, but not printed, The Thirty-Hour Week, published January 3, 1935, by Harold E. Moulton and Morris Leven, as an exhibit.

Senator MCCARRAN (presiding). That will be the order.

(The document referred to was filed with the committee.)

Senator HATCH. I think you stated that where a plan of this nature would be put into effect, the added cost would necessarily cause an increase in prices, and thereby the workers would not be benefited because the prices they would have to pay would offset any gain they might otherwise receive.

Mr. MOULTON. It would more than offset it. I would like to make this quite clear. If he is getting $20 a week now for 40 hours, he will still be getting $20 for his 30 hours. To the extent that prices rose his $20 would buy less than before.

Senator HATCH. That is obvious, but that would not necessarily mean that wages would have to remain at the minimum. Wages might be advanced.

Mr. MOULTON. Oh, yes. But if you advance the money wage to $30, let us say, then instead of a 30-percent increase in money costs of production you would have a much larger increase. The 30-hour week would mean that labor would have a stronger bargaining position, theoretically at least. But getting a higher money wage, unless we get an increased flow of production to match it, does not mean getting higher standards of living.

Senator HATCH. Then if you advance wages, according to your opinion, and you have an advance in prices, you have not accomplished anything?

Mr. MOULTON. You have not accomplished anything, and you have intensified the difficulties of the business man.

Senator HATCH. I am thinking about the year 1919 when wages were high and farm products and all commodities were high, and the prices of manufactured articles were also high. Notwithstanding those high prices the people generally had more.

Mr. MOULTON. They had a 50-hour work week and they had no unemployment. We had higher productivity then than now.

Senator HATCH. That accounts for that, in your opinion?

Mr. MOULTON. After all, we cannot eat and wear what we have not produced. As I analyze this measure, I think it would defeat its own purpose.

I thank you very much.

Senator MCCARRAN (presiding). Are there any other witnesses to come before the committee this morning? There appear to be none.

I think it was understood yesterday that this subcommittee would not meet on Monday morning, as the full committee has a regular meeting on that day. We will adjourn until 2 o'clock Monday afternoon.

(Whereupon, at 12 o'clock noon, the subcommittee adjourned until Monday, Feb. 11, 1935, at 2 p. m.)

THIRTY-HOUR WORK WEEK

MONDAY, FEBRUARY 11, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to adjournment, in the committee room, Capitol, at 2:15 p. m., Senator M. M. Neely (chairman) presiding.

Present: Senators Neely (chairman), Hatch, and Austin.

Senator AUSTIN. Mr. Chairman, before we begin with a witness, I offer for the use of the commttee the shorter-work-day report of the department of manufactures committee of the Chamber of Commerce of the United States. It need not be printed, but I would like to have it filed for the use of the committee.

Senator NEELY. It may be filed.

(The document referred to was filed with the committee.)

Senator AUSTIN. When Mr. Austin T. Levy, treasurer of the Stillwater Worsted Mills, Harrisville, R. I., was on the stand I asked him if he would send the committee certain figures. He has written the committee a letter, dated February 8, which does not furnish the information required, but I would like to have the letter incorporated in the record to show what his response was.

Senator NEELY. That may be done.

(The document referred to is as follows:)

FEBRUARY 8, 1935.

CLERK OF THE SENATE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

DEAR SIR: At a hearing before the committee on February 6, 1935, Senator Austin asked me certain questions with respect to the operations of the corporation known as the Stillwater Worsted Mills, of which I am president, in the years 1912, 1929, and 1934.

I am writing to say that the records of the year 1912 are no longer available.

With respect to comparable information regarding the years 1929 and 1934, our efforts to compile these figures bring out that—due to the very great changes that have taken place in our company's business since 1929—any attempt to relate the figures concerning some of the questions to which Senator Austin desired the answers would be entirely misleading, and we have decided, therefore, not to attempt to send them to you. We can, however, make definite answer to what seemed to be the two most important questions:

1. Average weekly wage, 1929 (48 hours), \$26.45; 1934 (40 hours), \$20.84.
2. Average hourly earnings, 1929 (48 hours), \$0.551; 1934 (40 hours), \$0.521.

Very truly yours,

AUSTIN T. LEVY.

STATEMENT OF O. G. SAXON, YALE UNIVERSITY, NEW HAVEN, CONN.

Senator NEELY. Professor Saxon, you may proceed.

Mr. SAXON. May I ask how much time will be allotted to me? I have prepared rather a long statement, but I can make it long or short, as you like.

Senator NEELY. Proceed in your own way.

Mr. SAXON. I would like to know whether it is 20 minutes or longer.

Senator AUSTIN. I think you should tell the whole story.

Mr. SAXON. If it does become too long, let me know.

Senator AUSTIN. If you have a backstop in the form of a written statement, that will serve us, if we reach the point where it is necessary to adjourn, and we might then pass upon the question.

Senator NEELY. You may proceed.

Mr. SAXON. Mr. Chairman and gentlemen, discussion of a 30-hour week or any other arbitrary legislative or administrative limitation of hours of work without a corresponding decrease in the rate of pay ramifies immediately into fundamental questions involved in technological and social problems of the human race in our modern civilization. Few economic issues are more complex, revolutionary, and more replete with hidden dangers. Those not trained to careful analysis of economic forces by study of historical experience tend, through confusion, to become emotional thinkers and rationalize their ideas of social justice and social objectives without due regard to the vast difference between short- and long-term effects. In their eagerness for recovery they tend to condemn all who oppose their programs as antisocial, selfish, and unprogressive. They attempt to suspend or change economic law without consideration of the penalties which must be paid sooner or later.

All people want social progress, higher standards of living, and greater social justice. Those who oppose the 30-hour week or similar limitations have the same objectives as the most ardent supporter of organized labor. They merely insist that the demands are improperly timed, that to adopt it now would mean more rather than less unemployment, less rather than more real wages, and in the long run longer rather than shorter hours for many people, and a lower, not a higher, standard of living for all.

NATIONAL INCOME

The prosperity of a nation depends on its land—natural resources—its capital equipment—capital, machinery, and so forth—and its labor, and the effective use of all three in joint cooperation. Some nations have more of one and less of the others. Some refuse to use what they have efficiently. This explains the differences in standards of living throughout the world. India and China, with their vast populations and relatively poor land—and natural resources—though also vast, lacking adequate capital, have extremely low standards of living. The United States during the past century, with vast natural resources and phenomenally expanding population increased by immigration, rapidly expanded its resources and by efficient use of all its three elements of wealth developed the highest standard of living the world has ever known.

But this social progress and increase of the national standard of living depends upon the efficient use of all three elements in cooperation. Technological progress is usually conceived of as meaning the expansion of the use of the machine. It is just as much in reality the more efficient use of labor and capital cooperating toward greater total production and national income. To refuse to use technological devices, whether in the form of new machines, new methods of operation, or new processes, means the deliberate reduction of national income from land, labor, and capital. Artificial reduction of agricultural production, reduction in hours of work, or limitations on capital, in the long run, bring penalties if continued too long, result in destruction of capital wealth, and decrease the total national income which must be divided between the three producing elements. They are the equivalent of mortgaging our industrial future.

Certain industries have been able to accumulate a reserve and are able to ride on it and have been during the period since 1932. Many industries have increased their profits under N. R. A. Others have barely gotten away from the brink of insolvency and bankruptcy, but a large number have not been so fortunate.

Mr. Green, in his pamphlet entitled "The Hour Week", cites the figures that industry from 1932 to 1934, some two-hundred-odd companies, increased their income from the low figure of $100,000 in 1932 to something over $400,000,000 in 1934. Those were selected cases. Industry as a whole is still working at a loss, without income; and during 1929, 1930, until 1933, industry suffered a heavy loss of from 7 to 9 billions of dollars, with a great impairment of capital.

Senator NEELY. What important industry of national scope is operated at a loss?

Mr. SAXON. That I am not prepared to give in detail, but in a few minutes I would like to give you just a few figures which are available on that subject. These are N. R. A. figures that I am going to quote, and will give you the results of N. R. A. under the cotton textile code and the petroleum code.

ARTIFICIAL RESTRICTIONS

No nation in history has yet been able to suspend or obviate the effects of economic forces for long without paying heavy penalties in the form of reduced standards of living and in other respects.

Two illustrations of artificial restrictions which had disastrous effects because they were continued in operation unduly long and after the emergency which justified them had been dissipated will prove my point.

In 1924 Great Britain by legislation restricted production of rubber in British colonies by 40 percent. Prices rose within 2 years from 10½ cents per pound to $1.22 per pound. Meantime, the Dutch, not affected by the restriction program, increased their production from 30 percent of world production to 60 percent of world production, thereby reversing the relative position of the British colonies and the Dutch colonies. Great Britain, seeing the loss of her control of rubber to the Dutch, canceled the restriction for years later; but, meantime, world production had increased in the aggregate more than 40 percent. Simultaneously, due to the artificial high price, synthetic rubber became a reality at a potential price of

about 40 cents per pound in large volume production. The British had already lost heavy investments in the indigo plantations in India as a result of abnormally high prices which fostered the development of synthetic dyes. This experience was a major factor in persuading British legislators to cancel the rubber-restriction scheme. The action, however, came too late, for within 4 years of the revival of a free market rubber sold down to a low of 2⅝ cents because of the drastic increase in production relative to consumption. The threat of artificial rubber will put a ceiling to the possible rise of rubber in the future.

The Brazilian Government three times has attempted to restrict production of coffee and fix prices on world markets. Each attempt has resulted in heavy expansion in coffee production in Central America to the extent that today Central America is a very important factor as a coffee producer when originally she was only a nominal competitor of Brazil. These Brazilian schemes are often cited as illustrations of successful restriction programs, primarily because foreign loans to Brazil to enable her to purchase surplus stocks have until the recent depression always been repaid in full. On analysis, however, it appears that the Brazilian currency has as a result of the financial losses incurred by the Government under such programs been depreciated over a period of approximately 30 years from the value of 50 cents per milreis to a present value of approximately 8 cents. Meantime, the Brazilian Government is today burning coffee as fuel in its steamships and dumping it in the ocean on a large scale to dispose of stocks bought on the world markets in an effort to stabilize prices. Prices, however, have fallen in recent years to the lowest in recorded history.

REAL, NOT ARTIFICIAL, PROGRESS

About 60 years ago the normal work-week in American industry was 60 hours. They have been reduced in little more than half a century to their precode level of, say, 50 hours, and all of us are eagerly looking forward to the time when they will gradually be reduced to 30, and possibly 25, by the operation of economic forces. From 1900 to 1929 working hours were reduced from 57 to 50 hours, or about 13 percent, but simultaneously there was an increase in national income in which all classes shared of almost 40 percent through increased productivity of capital and labor. The previous reductions have come through inexorable laws of economics which time their efforts so as to increase rather than decrease the national income and standard of living.

Wages come only out of the income produced by the three elements of land, labor, and capital in cooperation. The shares of labor, capital, and land in these profits are also determined by economic forces; that is, the relative scarcity of one with reference to the others; and one cannot be penalized for the benefit of the others without all suffering. This rule is ruthless and inexorable in its operation, regardless of the motive. It may be that the motive is to reduce employment, share the work, relieve the burden of labor, or redistribute wealth from those who have more to those who have less. One cannot mix economics and social ethics without paying a penalty which economic law will extract.

A well-known economist has said: "This fundamental truth that you cannot help labor by reducing production is the basic fact in this 30-hour-week matter. If the average work-week in normal times is 44 hours, then the national dividend is simply the product of 44 hours of labor applied to our land and capital. Cut this work-week to 22 hours and you destroy the American standard of living." This is because there is a net reduction in the product to be distributed to all three elements.

After all, it is technological progress, so often decried by labor as its worst enemy, which has permitted the reduction of hours of labor in the past and will continue to do so in the future if not stifled. To stifle it by restrictions will cause a decrease in the potential national income and in the income of all those who share it. The development of new machinery, devices, or processes acts either to reduce prices and increase the real wages and standard of living or to maintain prices at the existing level and at the same time either increase the money wage and income to capital or to absorb more employees instead of raising wages of those already employed. But labor will say that each machine or new device is a "labor-saving" device, that it is a "stretch-out" of labor to the limit of endurance, and that each new device or machine results in reduction of employment, demotion of skilled labor to lower classifications, and lowers the weekly wage and standard of living.

That is exactly what happens in the early stages when the machine or device is introduced. It is the short-term result, especially if adopted in a period of declining demand or of deflation. If, on the other hand, the device is adopted on a rising tide of activity it results in an immediate increase in all types of labor, for the reduction in cost increases demand not only for the product but for labor to make more machinery. The lower the price the greater the demand for the product and for labor to produce it. The same is true of the situation when prices are stable, though not rising. Only on a declining trend does the new machine result in a net decrease in labor, and then only until the price level stabilizes. In due time normal economic forces will bring their results to increased employment.

To cut hours or increase wages arbitrarily by edict may temporarily increase employment or wages, but the long term brings a reversal and results in reduced wages and employment, for the additional costs are not compensated by corresponding increase in production. But with the new device, wages may be increased or hours decreased, for the machine's greater efficiency produces an increase in capital wealth sufficient to permit the increase in labor costs. Otherwise it would not have been adopted.

RECENT ECONOMIC FALLACIES

There are in this country today many advocates of an unsound economic fallacy to the effect that technological developments have speeded us from an era of scarcity into one of "surplus economy" and that the present unemployment is "technological unemployment", that as such it can only be remedied by artificial restriction of the working week. They steadfastly refuse to face the real causes which are varied and go back to the war and more particularly by

suspension of gold in the British Empire and the Sterling area in 1931. A final and complete answer to this fallacy has been furnished by the Brookings Institution in its recent publications America's Capacity to Produce. Apparently, however, the unreasoning advocates of further restrictions of the work week completely ignore its masterly explosion of this school of thought. The institution says:

We arrive at a net estimate of 19 percent as the amount of added production of which our industrial plant was technically capable under conditions prevailing in 1929. Had we been able to operate at 100-percent capacity, the income per person in the United States would have been increased by $135. Even if the total product of the Nation were equally divided among the entire population, the average family income would have fallen short of requirements of a wholly satisfactory standard of living. Certainly our findings do not bear out the contention of those who, in the midst of the present depression, say that we were living beyond our means—the Nation was not.

The institution continues:

The total labor force available in 1929 was just sufficient to man utilized plant under the "spread-the-work" policy and code limitation, both of which were without corresponding increase in productivity.

On the question of imposing an additional limit of 30 hours, the Brookings Institute says it "would mean a total reduction of hours for wage earners of 40 percent since 1929", while as to the increased efficiency of production of wage earners through technological methods since that date, it says:

the average increase in productivity, as a whole would appear to be less than 10 percent. We conclude that a reduction in the hours of work would inevitably mean a volume of wealth production substantially below the levels obtaining in 1929. But it should be emphasized again that what this country needs is not less product, but more.

PROGRESS UNDER N. R. A.

Admittedly the increase of wages and employment since 1933 has not been the success expected, either from the point of view of capital or labor, for it is estimated that certainly not more than 4,000,000 men have been put back to work out of 14,000,000 unemployed when the codes were adopted. The miracle is that the policy has worked as well as it has, for, frankly, it was based upon the same economic fallacy that wages could be increased artificially and hours of labor reduced by legislation or fiat, without a corresponding increase in the production of capital goods. Acute emergency justified this action for a temporary period. The question now before us is whether we can increase the burden on industry without destroying our objectives.

Whenever this is done, beyond the breaking point, the inevitable result has been and will always be a decrease in reemployment (which other factors would have in due course made effective), a decrease in profits, or an increase in losses, a decrease in governmental revenues from taxes, an increase in governmental expenditures for relief of both capital and labor, a decrease in foreign trade through decline in both exports and imports or a decline in exports with increasing competition of foreign production with domestic labor which accentuates the increase in domestic unemployment, increases in tariff to exclude the products of labor with a lower wage and high

work-week, which in turn destroys the ability of the debtor nations to pay their obligations; all of which will in time through action and interaction, result in wholesale bankruptcy, forced liquidation of all types of stocks and materials, unbearable taxation resulting from grossly unbalanced budgets, a deflationary cycle with all its spiraling effects, and in all probability currency depreciation, devaluation, and capital levies in various forms.

It will, undoubtedly, be still argued that these policies of reduction of hours and increases in wages, and so forth, under the N. R. A. have been partially successful in that they (1) have created new industrial employment, though not up to expectations, (2) have raised wages, (3) have increased industrial pay rolls, have raised prices of industrial products, (4) have raised industrial profits, (5) have increased the tax revenue, and that all this has been accomplished without the disruption of our economy indicated above, for, they will say, exports have increased, imports have not had a disrupting effect, bankruptcies have been slowed up. They will maintain that what we need is more of the same medicine, especially shorter hours, higher wages, more men employed, and the cycle of recovery will be accelerated—that the 30-hour week will accomplish what the present code provisions have failed to effect.

While in industry as a whole since early in 1933 there has undoubtedly been an increase in employment, dollar wages, industrial pay rolls, and a drastic reduction in hours per week, it would be a great mistake to assume that (1) these gains are real, (2) these gains are lasting, (3) these gains are due to the increase in wages and employment, (4) that these gains are the result of these policies and would not have been accomplished without them.

These doubts, raised above, must be cleared up before an intelligent analysis of the impact of a 30-hour week in industry can be fully appreciated. It is not the purpose here to discredit the motives or sincerity of those who advocated these principles. Many people clearly saw their fallacies but accepted them on the emergency theory, hoping that the short-term effects could be garnered without suffering the longer term disasters; others advocated them blindly with religious fervor which was the result of wishful and emotional thinking without regard to the realities of economic law which cannot be violated without paying the penalties therefor. Industrial leaders accepted them with conflicting motives and, as a whole, have striven sincerely to live up to the restrictions in spirit and in letter, while others less fortunately situated competitively or financially, have been forced to cut corners, chisel, or openly refuse compliance because they were already being subjected to these economic laws and paying the penalty. As time goes on the general revulsion of feeling, both from labor and capital, will increase, for they are both beginning to see the fatal outcome if the present course is maintained, and to extend the principles when the emergency has begun to dissipate its energy would bring us back to the acute stages of 1932.

Actually, there is good reason to believe that these principles of limitation of laws have retarded rather than accelerated recovery since 1932.

PROGRESS ABROAD SINCE 1932

Studies made by the League of Nations committees and other authorities indicate that the low point of the world-wide depression (with the exception of the five gold-bloc nations of Europe, and China), was in midsummer of 1932. Since then, especially in England, Canada, Australia, South Africa, India, New Zealand, Japan, South America, and Europe, with the exception of the gold-bloc countries, there has been a substantial improvement in most lines of activity, equal to and in most instances, greater than that in the United States. For instance, English and Ausralian industrial activity is higher relatively, than here, foreign and domestic sales are greater relatively, industrial profits are higher, reduction in unemployment, has been more rapid, tax receipts have shown greater improvement, relief requirements relatively less, budgets balanced, and (in England) taxes reduced since July of 1932. British industrial activities, exports, and employment in 1934 were at a higher rate than any year since 1920 with the exception of the single year of 1926. All this has been effected without artificial wage increases, reduction in hours of work, drastic price increases, limitation of production, and so forth. A detailed discussion is not in order here, but our purpose is to indicate that economic forces, world-wide, had become operative, which, if not counteracted by conflicting artificial forces, might have resulted in greater improvement here.

Again, while weekly wages and industrial pay rolls have been increased in many fields of activity and as a whole, yet in numerous industries the wage increase and pay-roll increase have not been as high as the increase in living costs, thereby resulting in a decrease in the real wage. Furthermore, in many industrial units and most likely in some industries the net result has been to actually reduce the number of employees and the weekly wage as well as the weekly pay roll. In other cases there has been a serious decline in the number of employees and weekly pay roll of certain categories of labor.

This has been true in some industries in the lowest categories where the increase in the minimum wages resulted in the displacement of subnormal and inefficient labor with fewer, more intelligent, and efficient labor at a net saving to the employer. In other cases, the increased costs of production forced the adoption of labor-saving devices and machinery, already available to capital, which was awaiting a more favorable time for installation and use or newly developed under pressure because the code costs could not be passed on to the consuming public. Capital's only alternative to suspension of operation or insolvency was in many instances a reduction of costs of human labor by more efficient machines which, through decreasing employment, permitted continued operation and thereby prevented increased unemployment. The more efficient firms already using such devices or machinery would have forced the less efficient or less modernized units into bankruptcy otherwise. This, of course, resulted in the reduction in numbers of skilled workers in many fields. These displaced workers were in many instances forced by circumstances to accept lower classification of their labor or join the ranks of the unemployed.

The net result in such cases was a decrease in employment rather than an increase over prior conditions, but an increase rather than a decrease over conditions which would have prevailed had these cost-saving devices not been adopted. Naturally, labor, not fully appreciating the underlying causes, felt that industry's management was "chiseling." Without doubt, also, certain inefficient units, handicapped by old machines, without capital to invest in more modern tools, or in some cases, for selfish motives, carried the process to an unjustified extent, either economically or socially, and developed the so-called "stretch-out." From this development come the complaints of labor that there has been improper classification of skilled categories of labor. In many instances the complaint may be fully justified, but in most cases on examination management will be found unjustly accused. This shows clearly the necessity of settlement of charges against specific units by investigation of each case rather than a blanket reduction of hours of work which will be disastrous for industry in general, and most industries if applied individually, as will be demonstrated later.

EFFECTS OF N. R. A.

In October 1934 average hourly industrial earnings were the same as in October 1929, but average hours per week throughout the industry had decreased from 49.3 hours to 34 hours. Average weekly earnings had declined 31½ percent. This decrease was offset partly by a decline of 19.9 percent in the cost of living, causing real weekly earnings to decrease only 14.4 percent. Taking 1923 as a base, the real average weekly earnings for all industries was 93.1 percent while individual industries varied from 138.4 percent to as low as 58.5 percent, according to the National Industrial Conference Board. (Hosiery and knit goods, iron and steel.) This clearly shows that labor as a whole has suffered rather than benefited by increase in their monetary wages. Likewise, with the consumers as a whole, cost of living has risen 13½ percent since April 1933 to November 1934, without a corresponding increase in his income.

Meantime, volume of total industrial physical production, using 1923–25 as a base, according to the Federal Reserve Board shows an increase from 65 in March 1933 to an average of 80 throughout 1934, and 74 in November 1934, according to the Bureau of Labor Statistics.

Likewise, while pay rolls subject to N. R. A. rose from $1,680,000 in January 1933 to $1,943,000 in September 1934, or only 15.7 percent in the aggregate, cost of living rose 13½, leaving a net gain of only 2.2 percent at the present time.

Again, undoubtedly, profits have increased in industry in the aggregate and in many individual units, but it is not true of all industries nor of all units of any one industry. The increase in many cases has been high in percentage, but this is due to the small low base from which the improvement began. The profits are still far away from normal, and in the thousands of units there has been a decrease in profits. Finally, where there has been improvement, it is not so much due to wage increases (of the purchasing power), as to other factors of an inflationary nature, such as, increase in

inventory values, as well as fundamental economic laws which have begun to work out and in many cases would have shown greater improvement without them, such as the exhaustion of surplus stocks, world-wide in various fields, thereby creating a steady increase in demand for new production, additional labor, higher profits which would have in turn stimulated an expansion in production, employment, and so forth.

Furthermore, one of the major causes of even partial success of the N. R. A. in increasing employment, pay rolls, and profits, was the ability of industry in 1933–34 to pass on the increased code costs in many lines of activity to the consuming public, thereby permitting the increased employment and dollar wages to continue for some time and to some extent without forcing suspension of activities through bankruptcies, or voluntarily because of lack of profits or unbearable losses. Certain units, because of still remaining profits, though small, or through reliance upon surpluses, could stand the shock of increased costs for some time, but eventually for those, and immediately for others not so fortunate, the ability to pass on the cost to the public was vital, and will continue so if labor is to benefit from further arbitrary wage increases such as are contemplated by present proposals for increased rates and reduced hours. The impact of these specific proposals on our present economy will be discussed later. Here we are concerned with the argument that the increased costs have been successfully passed on to the consuming public. This is not true either as a general matter or with reference to specific industries. In fact, in many industries (see the Petroleum industry) these costs could not be passed on to the consumer. The result has been varied indeed. In some units there has been a serious decline in total demand and production because where prices were raised even temporarily the public could not and would not purchase its previous volume. This results in some cases in decreased employment and decreased profits, in other cases in reduction in price in hopes of increasing volume and so reducing unit cost of production, thereby maintaining employment and profits; but in many other cases such economies in costs were not forthcoming or were counterbalanced by increased raw material prices. In any event many units today are back to their precarious situation of 1932 and early 1933 and will be forced to suspend or adopt new machinery or devices to cut labor costs with resulting unemployment if their burdens are increased at this time.

Another effect of inability of industry to pass on to the consumer increased costs is worth mentioning at this point. It will be more fully operative under a 30-hour week than to date because the progressive increase in cost will accelerate the process—it is the reduction in quality of production. Cheaper grades are necessarily forced on the public in greater volume at the price level of better quality. The public pays the same price as before, but gets a lower quality, thereby reducing the standard of living, the life of the article, and its effective economic use. This results in an increased production of the lower quality, increased demand for lower grade raw materials, decreased demand for skilled labor, both in the processing and in production of raw material, and results in scrapping of skilled labor in favor of common or less skilled labor. This then results

in charges of unfair classification of labor which will be displaced if it refuses to accept the lower wage rate. But while here, again, specific cases must be investigated, most often it will be found that the choice is forced on management—either shut down and decrease employment and profits completely, or decrease employment and labor costs to some extent to save the balance of employed labor and profits. The 30-hour week would merely accentuate this tendency as in other respects, and bring nearer the time of suspension of operations. While capital may be legally bound or voluntarily desire to respect laws or fiats compelling the payment of specific wages for specified hours of work, no law can compel capital to operate regardless or profits or losses, unless we nationalize all capital.

Many industries have, however, at least to some extent and up to January 1934 been successful in passing on the increased costs to the consuming public. The extent to which this has been possible and the length of time it could be done has varied with the amount of surplus stocks, the flexibility of the demand, the ratio of labor costs and total costs, and so forth, in each industry. But the most important factor which permitted such passing on of costs to the consumer wherever it could be done was not within the control of the industry or of individual management of particular units.

In all probability it will not continue to be operative and should not be in any event; that was the steady and drastic price rise through our entire economy, based upon the inflationary forces of the suspension of gold, accentuated more recently in some fields by the drought of 1934. The inflationary rise began in 1933—March—and reached its peak in various phases of our economy at different times due to well-known economic laws which operate more slowly in some fields than in others. It reached its general peak in wholesale prices in July of 1933, especially in raw materials, before the codes went into effect. Since then, while some lines continued on upward their slow readjustments to gold suspension, others started a decline which has not yet ended, but today, and in reality, since January 1934, when devaluation of the dollar put a definite ceiling on the rise, there has been a slow, steady flattening out and a declining price trend in many lines except those affected by the drought. But even in the drought commodities, in spite of the worst disaster of its kind in our history, the price rise has been only to a level considerable below the peak of July 1933 under inflationary forces.

The ceiling put on the price rise by devaluation in January 1934 permitted—through the elimination, at least for the time being, of inflationary factors operating through the fear motif—other normal economic forces to work out their immutable effects. Surplus stocks, increased costs without a corresponding increase in capital production, higher prices without a corresponding increase in wages or income to the entire public began to result in competitive pressure to lower prices. This movement has been accentuated in those fields where the code provisions bore down on the industry or particular units therein too harshly, with the result that code compliance was at a discount, enforcement was difficult or impossible. See, for example, the decline in gasoline retail price in 1934 due to bootleg production, illegal prices, and other similar unfair competitive practices on the part of certain units. But fundamentally, the cause

of noncompliance was the inability of weaker and less efficient units to pass on the costs or absorb them out of profits or surpluses.

Therefore, to add further to industry's costs of production, either in labor or raw materials, will result in an increasing pressure to pass on the costs to the consumer, reversal of the trend toward increasing profits in some cases where they are not already threatened by the price trend, a rapid conversion of small profits into large losses, and in all cases an inordinate premium on the development of labor-saving devices beyond the normal rate, and the use of the device in many instances quite unfairly in the struggle to survive. It seems clear that these new increased costs could not be passed on to consumer. We can no longer count on (and should not, if we could) further inflationary forces holding the price umbrella for increasing costs. Labor traditionally has opposed inflation as destructive of its position and realizes fully the implications involved therein. A 30-hour week would undoubtedly temporarily increase pay rolls and employment, but increasing costs under present conditions outlined above would considerably shorten the period of the temporary increase and force as quickly into the second stage of declining profits, increasing losses, decreasing employment, revival of bankruptcies, distressed liquidation in all fields, and a second wave of deflation.

The recent expansion in foreign trade has been due to the depreciation of the dollar in terms of foreign exchange. It has been operative primarily in those fields where the domestic price has risen less rapidly than the decline in the value of the dollar. Whether the increase can be held will depend upon the price trend in the future. An increase in prices would shortly counteract the present advantage of the undervalued dollar and result in a decline of exports and a tendency for imports to expand at the expense of products produced by American labor.

Already the cotton textile industry has lost 50 percent of its exports with a resulting shock on employment, reduction of volume of production, which will increase unit costs of production and either stifle consumption and further reduce employment or force operating companies already in the red, or close it, to suspend operations entirely.

So also in the steel industry; blast furnaces on the Atlantic and Gulf seaboards have been shut down because increased costs under N. R. A. have made American manufacturers noncompetitive on foreign markets and on the domestic market in some lines with resulting heavy loss in employment.

THE 30-HOUR WEEK

But what would be the more specific and the immediate as well as the long-term effects of a 30-hour week, applied either generally to all industry or to specific industries?

Commenting on the 30-hour week, the National Industrial Conference Board study says:

> How far these increased labor costs would affect total costs of production would depend largely on the part that labor expense plays in the output of any given industry. When much labor is expended on comparatively cheap materials the increased costs would be considerable; when little labor is expended on comparatively costly materials the increase in total production costs might be negligible.

The Board's report goes on to say:

> The manufacturer is buyer as well as seller—with a universal 30-hour week, he would, no doubt, pay more for many materials and supplies. Thus, the 30-hour week will find its reflection in various items of increased costs.

Again it says:

> The result would be:
>
> For the employed worker, reduced hours, increased hourly earnings, stationary money income per week, and increased cost of living.
>
> For the manufacturer, smaller output per man-hour, increased labor costs per man-hour, increased material costs, and a larger increase in labor costs per unit of product.

The Board assumes that the same number of man-hours would be employed after adoption as maintained before adoption of the 30-hour week. That would not be the case. At this stage it would be well to show the practical impact of such a regulation on industry.

EFFECT ON EXPORTS

If the increased costs could be passed on to the consumer, it would destroy what is left of our industrial exports which have contracted in recent years to approximately 30 percent of normal. The year 1934 shows an encouraging tendency towards expansion, the present indications being an increase of 300 percent over 1933 in dollar volume, fostered by depreciation of the dollar in terms of foreign currencies. While at best we rarely export more than 10 percent of our industrial production, there are various fields, employing substantial numbers, which exports from 15 to 60 of their total production. Even where the producer is exporting only 5 to 10 percent of his total production, the loss of the volume would in many cases convert his narrow margin of profit into a loss through increased unit costs, and result in the liquidation of many producers now on the narrow edge of insolvency or living on their slowly dwindling surplus. In any event, there would be a necessary layoff of labor on a large scale, both from indirect as well as direct causes.

The total increase in costs would not be proportionate in the increase in labor costs, but would be necessarily pyramided and increased through indirect forces. All semimanufactured articles bought by manufacturers for processing would rise, followed by the increase of costs of labor for processing. Then if the 30-hour per week were applied to marketing labor, these additional costs would be added to the increased manufacturing cost. Commission men, brokers, and middlemen would attempt to maintain their traditional and necessary percentage of sales commission or profit, thereby again increasing the retail cost to the consumer.

This increase in costs would put American costs so far out of line with those of foreign competitors that industrial exports would be seriously impaired. The loss of this exported volume would again increase the unit cost of production for the domestic market and so result in a retail price which (in all articles with a flexible demand) would inevitably reduce the domestic demand because of the high cost to an irreducible minimum. Therefore, the loss of exports would result in loss of profit, increase in prices, increase in unemployment, bankruptcies, etc., out of all proportion to the amount of industrial production involved therein. The cotton textile field already shows 50 percent decline in exports. Many others are in the same vulnerable position, steel especially.

EFFECT ON IMPORTS

Not only would there be a loss in the export field, but these increased costs would subject our domestic producers to a vicious competition with imported articles produced abroad under quite inferior standards of wages and hours of work. Again the steel and textile industries report a serious threat from imports on a large scale. The same is probably true of the chemical and other industries in the immediate future. This increase in imports on a large scale would cause a further decrease in the demand for the products of American labor, a corresponding increase in the cost of the reduced production with further pyramiding of the decrease in employment through unprofitable operations, further liquidations, etc., with the necessary lay-offs and reduction in consumer buying power.

Tariffs, already too high, might be raised to shut off these low-cost imports, but to do so would in turn tend to destroy any remaining exports with loss of labor (and other accompanying effects) dependent thereon. Tariff increases would further impair the ability of debtor nations to pay their debts, governmental or private, to us by destroying the means of such payments—i. e., exports to us which produce the dollar exchange necessary to transfer the payments without destruction of the debtor nation's currency. Disregarding entirely the war debts of approximately 11 billions of dollars, there still remains several billions of private debts even at present market values which most foreign nations or nationals are conscientiously trying to pay. But exports to the United States are essential to these debtor nations to enable them to transfer funds for such payments.

THE DOMESTIC EFFECTS

The loss of the industrial exports cannot be disassociated from the domestic problems, as indicated above. This loss will impact upon and accentuate the effects on our domestic economy. However, the domestic effects can be outlined in general and are not encouraging.

Increased costs of productions, pyramided as indicated above, will in the first instance result in a retail price rise in industrial products out of proportion to the increase in the industrial pay roll. This will then result in time in a decrease in consumption, for the balance of the population, not sharing in the direct benefits, who will have, on the contrary, an increase in the cost of living without compensating increase in income. There will be a serious decrease in their real wages or income, impairing purchasing power and reducing consumption. This in turn will decrease profits, or increase losses, throw thousands of producers into bankruptcy or reorganization, decrease rather than increase employment in the long run. Progressive reductions in consumption will increase the unit cost, thereby increasing the strain on the producer to lay off labor or increase prices which will in time cut consumption and result in lay-off of labor or total suspension of operation by many units. Undoubtedly, the decrease in number of hours per man will result in a temporary increase in the number of employees, but not necessarily proportionate to the decrease in number of hours. Efforts will be made to employ the proportionate number and will continue so long as there is a possibility of passing on to the consumer the increased cost, but soon the loss of export outlet and decreased consumption on the domestic market will become operative. Profits will diminish or disappear, surplus become exhausted.

Then various conflicting measures will be tried. Already the cotton textile field shows a 13 percent decrease in domestic consumption as a result of the forces outlined above. Some will continue to raise prices as consumption falls, thereby increasing unit costs, others will begin to cut prices to stimulate demand; this price cutting will be adopted first by the more efficient and lower cost producers—those who have already modernized their equipment or have the capital to do so. Over a period of time technological devices, new machines, new methods, new processes will be developed or put into operation (where they have been held in suspense awaiting a more suitable occasion). The more progressive units will force the less progressive or undercapitalized units to the wall through price reductions. Labor-saving devices will be the crying need of industry. These devices will be constantly reducing the demand for human labor, thereby temporarily increasing rather than decreasing unemployment. Then other units threatened with receivership wil begin to abuse the technological development—will go beyond the justifiable economic use of these devices and tend to increase the word-load of the decreasing personnel by the so-called "stretch-out" method which will be analyzed later.

Hence, the temporary result of the 30-hour week will be, in all probability, an increase in the number of men employed. Those previously employed will retain their present weekly dollar wage with more leisure from the reduction of hours, but their real wage will soon be impaired by a raise in the cost of living out of proportion to the reduction in hours of work. More men will be employed temporarily to maintain the previous number of man-hours in industry. These new employees will temporarily be taken off the relief rolls and other Government projects, but in time, sooner rather than later, the situation will be reversed, with the ultimate result that fewer men will be employed, more will be on the relief rolls than before, many units will suspend, and operations will be concentrated more and more in the larger, more powerful producers, who, when the costs have been reduced to an economic level, will resume production with expanding consumption, but with lower personnel than previously required for the same production.

Then economic laws will slowly begin to operate—low prices will expand demand over previous levels, and reemployment will improve and eventually absorb the existing supply of labor. But this must be done by reduction of costs through technological devices, not through arbitrary or artificial increase of costs or prices through legislation or administrative fiat. Technological progress, fairly adopted, i. e., economically and socially, first means reduced employment, but with lowering of costs and price, will, if permitted to operate freely, bring about increased demand, increased employment, increased profits, and then increase in wages which are real and not deceptive increases. The national standard of living is thereby raised instead of lowered; exports expand, accentuating the spiral of recovery in the domestic market; profits permit more research which points the way to further reduction in costs and so, in turn and in time, to further increase in the standard of living. As ex-

ports expand, imports likewise expand, thereby permitting debtor nations to pay their debts in the only possible ways. Lower prices slowly increase rather than decrease the world standard of living.

Artificial or legislative wage increases, if continued too long or too extensively, however, have the reverse effect to temporarily increasing employment, decreasing the real wages, stifling consumption, and then reducing employment, bankrupting weaker units, increasing the Government's burden of relief, increasing taxes just at the time industry's profits have been impaired, drastically cut, or wiped out. Then if the taxes are not productive, currency inflation, devaluation, or capital levies become realities.

The Brookings Institute says:

> It should be clear * * * that a 30-hour week would involve a simultaneous increase in wage rates and a decrease in productive efficiency. The volume output would be declining at the same time that the payment of wages was increasing. This would result in either bankrupting business or in a rise in prices more rapid than expansion in pay rolls. If the former alternative resulted, we obviously would not have recovery, but rather intensified depression. In the latter alternative the rapid advance in prices would nullify the increased money wages.

At this point the Brookings Institute conclusions differ from my own. It says:

> A study which the institution has made of the effects of wage increases upon prices since the establishment of the codes shows that the prices of manufactured commodities and the wage rates of the labor engaged in the production and distribution of these commodities had roughly an equivalent increase. Whether or not one thinks so extensive a rise in prices was warranted, it is none the less a fact; and it is a fact which has led to a material shift in point of view on part of the administration itself as to the practicability of the policies that have been pursued.

It then proceeds:

> In light of this experience, it would seem reasonable to believe that a further drastic curtailment of the working week would be followed by a commensurate increase in prices—that might well be more pronounced than under National Recovery Administration codes.

Here I would differ, believing, as said above, that the price rise, where effective, was the result of suspension of gold, which force has been brought under control by devaluation, thereby putting a limit to the rise unless inflationary forces take hold. If I am right, the alternative forecast of the Brookings Institute, just quoted, would become immediately operative.

Though capital and labor both are drastically penalized under the situation outlined, the consuming public is also caught in the operating forces.

Those not engaged in industry receive no increase in leisure through the reduction of hours—price increase in the first stage without any compensating advantage. Real wages or incomes are cut by the rise in cost of living. A greater proportion of their income goes to buy industrial products than before—they either must reduce their purchases of such products or of products other than industrial. Consequently not only is there a reduction in consumption of industrial but also of agricultural products and other articles of commerce and services, amusements. Consequently there is a pressure on the producers of these services and products to reduce costs, lay off people, or increase prices to overcome increase in unit costs, which in time will most surely result in a further reduction of

employment in these fields, with the spiraling effects outlined above. At this stage the consumer begins to feel the full effects of a deflationary period with its accompanying losses.

EFFECT ON AGRICULTURE

Furthermore, the proposal of a 30-hour week is contrary to the declared purpose of the administration's agricultural program, which has for 2 years been struggling through crop restrictions, subsidies, price-pegging, processing taxes, price guaranties, loans, and so forth, to readjust the disparity between the levels of agriculture and industrial prices. A great deal has already been done to raise the agricultural income to within striking distance of parity but at the expense of our foreign outlet.

The success of the agricultural program was seriously threatened by the price-raising features of N. R. A. For some time industrial prices rose faster than agricultural prices, and only the suspension of these price-raising activities, along with the drought, has made the agricultural program at all successful. Secretary Wallace has just recently stated that the balance of the readjustment must come, not through further increases in agricultural prices through limitation of production, and so forth—which would destroy the remaining agricultural foreign outlet—but through the reduction of industrial prices to the parity level with agriculture. Then there could be a progressive lowering or raising of both, dependent upon world prices and conditions. Secretary Wallace stated that industry must extend its gains in production roughly 50 percent to absorb this disparity through lower costs per unit. This would tend not only to solve the unemployment problem but also eliminate the necessity for restriction of agricultrual production. However, the 30-hour week would, if successful, result in higher, not lower, industrial prices and an increase, not a decrease, in the disparity between the two price levels, if the increased costs could be passed on to the consuming public; and if not, in decreasing rather than an increasing employment, with resulting loss to farmers.

Sufficient argument has been presented to show the damaging effect of the uniform 30-hour week and to indicate the necessity for study of the particular industry before applying it there.

EFFECT ON SPECIFIC INDUSTRIES

Finally, but briefly, the 30-hour week may have some justification in certain industries which are seasonal in their operations or where a small amount of labor is expended on a relatively costly raw material or where the industry as a whole is highly mechanized. As a matter of greater efficiency in staggering production throughout the year rather than concentrating it largely in a few months, a great deal can be said for it both from the point of view of employer and employee. But this should be determined in each industry, and then only after careful analysis of the causes of the seasonal concentration. It may be due to seasonal raw-material supplies, lack of adequate capital, or improper management. After analysis, specific industries may be found where the 30-hour week is feasible, but even here careful consideration would have to be given to the position of other industries operating in the same territories which would

be adversely affected in competitive bargaining for and with labor.

What is true of the 30-hour week universally is also true if applied to a particular industry. If you single out one particular field and lower hours or increase wages arbitrarily, without justification, you threaten that industry and its employees with ruin. But at once you force that industry into such acute panic—it is faced with a shut-down or reduction in costs. It may cut employment at once and progressively, or it may plunge heavily into new machinery, devices, and processes in a frantic effort to cut labor costs without cutting wages and increasing hours, which it is now forbidden to do by Government fiat. The result is a more rapid development of technological devices; a drastic lay-off of labor without a cut in production; and, regardless whether the new technological processes or machines are fairly and economically used, the workers feel that they have been unjustly treated, strikes develop, and the machine becomes their greatest enemy, when, in fact, if permitted to function normally, it will prove itself to be a real benefactor of labor.

THE "STRETCH-OUT"

This brings us to the "stretch-out", which is a very confusing and loosely used term and must be carefully defined before comment. It is sometimes used to mean technological progress of all kinds. Labor is inclined to classify all such processes, new machines, devices, or methods of operation as "stretch-out" measures. Consequently, it has acquired so strong a connotation of unfairness that its general use is unwise unless one refers to the process of using these devices of technological progress for the purpose of actually sweating labor or, in other words, extending the work-load of a job to the point of utter exhaustion of the laborer so that his health and efficiency are impaired. One of the studies made by the Institute of Human Relations at Yale University is extremely pertinent to the question whether industry could stand the shock of the 30-hour week in the event prices could not be made to absorb the increased costs, both direct and indirect. Prof. E. D. Smith has for some years been studying technological developments in the textile industry with particular reference to the real as well as the so-called "stretch-out." This study covered many operating mills during the past 4 years. In Lessons of the Stretch-out, Professor Smith says:

> Even after the new automatic technic had been devised and demonstrated, rarely did any concern undertake the change until whipped to it by its own acute financial necessities. The price of this delay was high. Instead of making at one time each minor development * * * and then following it by another, the whole complex of changes in conditions, methods, and work assignments were concentrated into one * * * and the cost of error was high. * * * By waiting until driven by necessity, instead of constantly using scientific means to improve methods, the opportunity to learn from experience in short, easy lessons and at small unit expense was lost.
>
> More serious was the fact that at the time when most stretch-outs were made the industry was in economic distress. The demand for cotton textiles was not only unprecedently low but unprecedently fickle. The market was so depressed that each unit of labor saved meant one more worker unemployed. The worker's funds were low and their families in no position to help them. Displacement that in normal times would have caused little distress caused serious hardship. Delay had brought the change into a time when the workers was especially ill-equipped to meet it.

> Of even more serious consequence, however, was the fact that the typical mill at the time it made the change had its back so closely against the wall that there was rarely adequate cash or credit to finance scientific study and preparation. Often there was not time. With losses staring them in the face, what the directors demanded above all was quick economies. On a sinking ship there is little concern with long-range plans. * * * Failure to carry scientific development forward until driven to it by the lash of necessity thus greatly multiplied the seriousness of the human consequences of the technological change. * * *
>
> In spite of these difficulties, many mills, through skilled management, accomplished the change with economic advantage and with almost complete absence of social harm. When one compares the work of these mills with those where the results were less favorable, one cannot but be struck by the extent to which social and company results went hand in hand, and also by the extent to which results were either favorable or unfavorable throughout.

Industry in general has not, so far as it appears, been charged with sweating of labor by a real "stretch-out" of the work load. But the remedy, if such a charge were justified, would not be a general blanket reduction in hours, but a study of each particular case on its merits, and action against the offender specifically before the proper tribunal or through collective bargaining. This was the great lesson learned from the textile strike in September. The President's committee realized that it could not penalize the innocent with the guilty, and set up a special board to study specific cases, meantime ordering the industry to maintain the then existing work-load without increase until the situation could be studied specifically in each case.

But the great lessons learned were—

1. That technological progress cannot be held back arbitrarily without terrible penalties—that steady, continuous scientific progress is necessary for efficiency and to prevent too great a shock at any time.

2. That capital, even where the devices are available, seldom uses them until its back is to the wall. It is a question of shut-down and total unemployment or adopt cost-saving devices and save the bulk of the labor from unemployment, and set forces in operation to absorb the balance in time—meantime making possible a lower price and increased standard of living in the long run.

2. That where the management was efficient the social and company results of the adoption of such devices were beneficial and that proper management accomplished the change without serious disruption in labor's conditions and in labor relations, showing again that the question of the stretch-out, like too many similar issues, is not the problem of the industry, as a whole, but of the company and its employees through collective bargaining.

FALLACIOUS ARGUMENTS FOR 30-HOUR WEEK

Before leaving the 30-hour week, certain other fallacies used by its proponents should be analyzed and discarded as thoroughly unsound and utterly destructive, in some cases, of the very objectives desired from the 30-hour week.

1. It would not solve the problem of unemployment. As shown above, it would either greatly intensify the depression immediately, creating more rather than less unemployment, less rather than more wages, or it would greatly reduce the real wage in the first stage

with a subsequent intensification of the depression. The unemployment problem must be treated temporarily as a social matter with all necessary relief funds and public-works programs made available until such time as real consumer demand, stimulated by reduced stocks and higher real wages, becomes operative or productive efficiency is increased.

2. It would not stabilize employment, but have in all probability the reverse effect.

3. The unemployment of today is not technological. As shown by the Brookings Institute, America's capacity to produce has not even in the peak of 1929 been exhausted, and had the capacity point been reached there would have been a potential shortage of labor for further expansion.

4. Its effect on the farmer would be quite adverse. The argument has been made by labor advocates that farm products have risen since February 1933 from $1 to $1.84 in October 1934 (under the agricultural program of the administration and the influence of the drought) while industrial prices during the same time had risen only from $1 to $1.24. The figures are correct, but are not candid. They fail to disclose that on November 1934 farm products, according to wholesale price index of the Bureau of Labor Statistics, taking 1926 as a base, were at 70.8 percent of the 1926 level while manufactured products were at 79 percent of such level, in spite of the more rapid recent rise of farm products. The disparity is still broad and with the new crops will broaden greatly as the influence of the drought is dissipated. The 30-hour week in industry would either increase the disparity or through deepening the depression curtail the farmers' market to industrial wage earners.

5. The effect on the consumer, whether he be a wage earner whose present wage will not be increased, or engaged in other fields than industry, will be either a decrease in real wage and income or an intensification of the depression with all its spiraling implications.

6. Mr. Green, in his pamphlet on the 30-hour week, cites figures prepared by Dr. F. C. Mills showing that between 1919 and 1929 the increase in labor efficiency was 49 percent. He then, by taking selected industries, claims an increase of 22 to 25 percent in labor efficiency since 1929, and deducts that the national production of 1933 could have been produced by a 30-hour week.

The Brookings Institution states that the average increase in efficiency is hardly in excess of 10 percent—that the increase has been due to temporary causes which are not likely to continue when normal conditions revive, namely, the fact that only the most efficient workmen are now employed, and those employed operate more efficiently under the fear of losing their jobs.

Dr. Moulton disagrees with Mr. Green, but Dr. Mills agrees with him.

Senator NEELY. With which of the gentlemen do you agree?

Mr. SAXON. I have not made an intensive study of that. I am more inclined to believe that Dr. Mills has studied mostly special industries, and that Dr. Moulton took the whole situation rather than specialized industries. I am more inclined to favor the Brookings Institution figures. But we don't need to go into that argument. We can grant the argument and see what happens.

But even if you grant that the increase in efficiency is 25 percent since 1929, if we should adopt the 30-hour week, we would permanently freeze national production at the level of 1933 or 1934 until the slack has been taken up and increased productivity through technological progress is developed. This would mean freezing our present situation in all its aspects for some years to come. The adoption of the 30-hour week would mean a decrease in hours of work of 40 percent since 1929, while the estimated average increase in labor efficiency is only 10 percent thus resulting in a net decrease in terms of 1929 production of 30 percent.

7. On page 20 of Mr. William Green's pamphlet on the 30-hour week, it is stated that from 1929 to 1932 there was a decline of 40 percent in the total national income and that in this general decline wage earners suffered a loss of 60 percent of their income, while property income declined only 30 percent, and incomes of individual business enterprisers decreased 40 percent. "Thus", Mr. Green says, "the incomes of wage earners, meager as they were, suffered twice as much from the depression as did property incomes, and one and one-half times as much as entrepreneurial incomes."

In Mr. Green's book it is stated that the figures on which these percentages are based were taken from the Senate Document 124, containing an analysis of the national income produced and paid out from 1929 to 1932, prepared and published by the United States Department of Commerce. On the basis of a most meticulous examination of this document it is impossible to find in it any evidence to support the statements made by Mr. Green in his pamphlet. The only accurate percentage given by Mr. Green is that showing the decline in the total national income paid out. All other percentages showing the share of the various economic groups in the national income are incorrect. The actual figures are as follows:

From 1929 to 1932 labor income declined 40.3 percent, from 52.8 billion dollars to 31.5 billion dollars.

During the same period income paid out to individual business enterprises, including farmers, declined 44.7 percent, from 11.6 billion dollars to 6.4 billion dollars.

Income from interest declined only 5 percent, from 5.5 billion dollars to 5.3 billion dollars.

Income from dividends, on the other hand, declined 64 percent, from 5.9 billion dollars to 2.1 billion dollars.

The income of farmers declined 45.6 percent, from 4.5 billion dollars to 2.5 billion dollars.

In 1929 labor income amounted to 64 percent of the national income paid out, while 36 percent went to about 9,000,000 persons in business for themselves, including farmers, and to recipients of interest and dividends. In 1932 total labor income was 63.4 percent of the total national income, the proportion having remained practically unchanged during the business depression.

The share of stockholders in the national income declined from 7.2 percent in 1929 to 5.6 percent in 1932 and to 4.5 percent in 1933. The share of bondholders, on the other hand, increased from 6.7 percent to 10.7 percent in 1932 and to 11.1 percent in 1933. The proportion going to persons who are in business for themselves remained practically unchanged throughout the business depression at about 22 percent of the total.

Wage earners, salaried employees, and the 9,000,000 persons in business for themselves, including five and a half million farmers, received 86 percent of the total national income paid out in 1929. In 1932 their share was 84 percent.

There is certainly not evidence in these Government statistics that a preponderant or increasing proportion of the national income is going to stockholders in the form of dividends and to bondholders in the form of interest.

On pages 33 to 34 of his pamphlet, Mr. Green makes the point that the proportion that the worker in manufacturing industries receives of the total value of the product has declined sharply from 1849 to 1933. He bases his statement on the census of manufacturers. I have not had the time to analyze the statistics used by Mr. Green, but on the basis of a report just prepared by the National Industrial Conference Board, showing the distribution of manufacturers' receipts, derived from the sale of their products, it is clear that Mr. Green's contention is wholly unwarranted. In this connection I should first like to reach a definite understanding of what we mean by "profits." Profits are dividends paid to stockholders and surplus. In 1919, dividends and surplus were 4.8 percent of total receipts derived from the sale of products by all manufacturing corporations in the United States. In 1921 there was no profit at all, but a deficit of 4.5 percent. In 1929, the most profitable post-war year, dividends were 4 percent of total receipts; surplus was 1 percent, giving a total profit of 5 percent of total receipts. Since 1929, business has had losses.

The share of wages and salaries, that is direct labor cost, was 33.7 percent in 1919; 36.2 percent in 1929; 33.5 percent in 1929; and 38.4 percent in 1933.

The cost of raw materials was 37.5 percent of total receipts in 1919; 38.4 percent in 1921; 32.4 percent in 1929; and 31.1 percent in 1933.

At no time from 1919 to 1929 did interest payment absorb as much as 2 percent of total receipts.

In his pamphlet Mr. Green calls attention to the enormous increase in the share going to profits and overhead, but does not indicate what he means either by profits or by overhead. The inference from his statement is that he assumed that all overhead charges are made at the expense of labor and that excessive overhead costs are to a very large extent responsible for failure of labor to secure a proper share of the national income.

Accountants and economists have not yet agreed on the question of what constitutes overhead costs. Should interest on investment and working capital be counted as overhead cost, how should salaries be classified? Regardless of what precise definition of overhead cost is given, one thing is perfectly clear, that is, that overhead costs include a large element of labor costs in them. For example, rent, insurance, advertising, and expenditures for welfare are counted as overhead costs, but are actually in no small proportion converted in the final analysis into wages to labor. As a matter of fact, as our national economy is constituted at the present time, profits and surplus and interest on debt are the only items that do not go in wages to labor.

As I said a moment ago, in spite of these difficulties many mills, on account of skilled management, accomplished the technological changes with economic advantage and with an almost complete absence of social harm. When one compares the work of these mills with those where the results were less favorable, one cannot but be struck by the extent to which the social and company results went hand in hand, and also by the extent to which results were either favorable or unfavorable throughout.

Senator AUSTIN. Do you mean that both were benefited?

Mr. SAXON. Yes.

Senator AUSTIN. Or both were injured?

Mr. SAXON. Exactly. Labor and capital were either jointly benefited or jointly injured. That is exactly what occurred.

Senator AUSTIN. You referred a few minutes ago to this being a problem of labor in respect to collective bargaining. Is it not also a problem of proper management?

Mr. SAXON. Yes. I say where management is adequate, both capital and labor benefited.

Senator HATCH. You referred a short while ago to some lessons that had been learned by industry. Do you believe that industry has really learned those lessons?

Mr. SAXON. I do.

Answering your question of a little while ago, Mr. Chairman, at this point a comparison between the results of a year's operation of two codes will be quite instructive in reference to the issues under consideration:

The cotton textile code operation resulted in:

(1) An increase in annual pay roll of $105,000,000.

(2) An increase n average hourly rates of 67 percent.

(3) An increase in number of persons employed of 40 percent, or 460,000, which was in excess of 1929.

(4) An increase in the real wages of 6 percent over 1929 and 25 percent over 1933.

(5) A decrease in domestic consumption of 13 percent in contrast with 1933.

(6) A decrease in exports of cotton goods of almost 50 percent and threatened import from abroad since 1933.

(7) A drastic fluctuation in earnings per quarter under the influence of rapid price changes in both raw material and finished goods, with the Federal Trade Commission reporting that half the industry operated at an annual rate of return on capital of 0.44 percent in July–August 1934.

The petroleum code operation resulted in—

(1) An average reduction in hours for all classes of workers of 16.7 percent since 1933.

(2) An increase in employment of 20.7 percent over 1933 for all classes and to 107.7 percent of the 1929 level.

(3) A decrease in monthly crude-oil production of 7.8 percent over 1933.

(4) An annual pay-roll increase of $230,000,000 since 1933.

(5) An increase of about 5 percent since 1929 and 1933 in gasoline consumption.

(6) Inability to pass on the increased cost of production of about 11.2 percent because of a decline in the retail price of gasoline from

14.45 cents per gallon in October 1933 to 12.43 cents in December 1934.

(7) Payment of the highest average weekly wage in all industry, though three codes have higher potential earnings in the minimum scale.

(8) Violent fluctuation in aggregate net earnings from a deficit of 2.6 percent in the first half of 1933, a return of only 0.78 percent for the entire year of 1933, and of only 1.13 percent in the first half of 1934 on the part of 18 major companies doing the major share of all phases of the business except retail marketing.

These two industries may be taken to represent the two extremes in industry. Each has employed beyond the 1929 level, paid higher real weekly average wages than in 1929—one in face of falling domestic consumption and exports but with a temporarily rising price structure, and the other had declining production under Government proration and increasing consumption, but could not pass on the increased costs even temporarily. One had been through years of continued depression before 1929, with the result that when prices again fell in 1934 the full impact of bottled-up technological progress was felt in the real and so-called "stretch-out", since the industry had its back to the wall. This resulted in the textile strike which was so prominent in September 1934, and the President's committee considered the settlement to require individual action where real labor sweating was proven and refused to penalize the industry, innocent with the guilty, in a uniform regulation.

This same industry shows clearly the impact of increased costs on foreign trade with the back fire on domestic prices, volume of production, reduction in domestic consumption, and so forth, as spelled out earlier.

The other industry is an example of inability to enforce restrictions on a vital industry even where conservation of natural resources is involved and restriction of production was compulsory, not permissive.

One shows the immediate effects of inability to pass on costs to the consumer; the other delayed action, but still inevitable when costs can temporarily be passed on to the consumer.

In between these two extremes lie hundreds of code industries, varying in all conceivable aspects, depending on surplus stocks, flexibility of demand, percentages of production exported, seasonal demand, sectional costs of living, and wage differentials.

In all industries, even where there has been heavy increased production and net profits, the increase in profits has been below normal—much below the increase in volume of production—and the margin between raw material plus labor costs and retail price has narrowed so sharply that any additional costs from any motive will have the result of breaking the back of industry, first in individual units, then in particular industries, and finally we will face a new deflationary spiral.

Impaired capital, exhausted reserves, and dividends to stockholders, who also represent consumer-buying power, must be restored, and then increased efficiency of capital and labor be a proved fact before any further concessions to labor can be made.

Of the presently employable unemployed almost one-half come from the durable-goods industries and most of the remainder from

closely allied trades and services. The proper method of correction seems to lie in priming the pump in these fields of activity, encouragement of capital through revival of incentive and confidence to enter these fields, and, meantime, all necessary relief to the sufferers. An attempt to absorb this present surplus labor in other industries would have a vicious back fire on unemployment and in its final implications might force us into an inflationary spiral which would be no easy matter to control.

THE CAUSE OF THE DEPRESSION

Before leaving the question of the 30-hour week, there are several fallacies which should be cleared up for the sake of proper understanding of the problem, in the proper solution of which, after all, everyone has the same objective, namely, a revival of industry and of employment.

First of all, there seems to be a great confusion as to the cause of the depression. In the case of certain labor leaders, and rather generally throughout the labor field, there seems to be an impression that adequate, intelligent, and well-meaning industrialship could have avoided our situation since 1929. This totally ignores the fact that the depression is world-wide, having its roots in the World War and subsequent developments growing out of it.

From 1913 to 1920 there was a tremendous expansion in production in a great many lines of activity, as for example, wheat. Wheat production in the United States expanded 25 percent; in Canada, 50 percent; in the Argentine and Australia, 75 percent; due to the fact that large areas in Europe were out of production during the war. Wheat soared during the war from 85 cents per bushel to a peak of about $4 per bushel, but with the return of European wheat fields into production in 1920 all governments interested in wheat production began efforts, which have not yet ended, to support the price and maintain the volume of production. This course would require normally tremendous increase in consumption. Wheat was not an article of flexible demand and consequently the farm programs in all the major nations of the world have been grounded in the uneconomic thesis that an inflationary war price could, in violation of economic laws, be maintained after the resumption of production by the warring nations.

In this country we have gone through all the various stages of low interest rates to farmers, special banks for their benefit, price-pegging through the Farm Board, and other agencies, and finally, price guaranty under the present administration coupled with Government guaranty of farm mortgages and subsidized restriction on production.

Consequently, increasing economic fallacies have been pyramided one upon another, in an effort to justify the original economic mistake. This is merely an illustration of what went on to a smaller degree in practically all fields of industrial and commercial activity. Where governments themselves were not operating through restriction schemes, such as that of England in rubber, Brazil in coffee, etc., international cartels were functioning on a large scale as gigantic pools to restrict production, allocate territory, and fix prices. The effect of these gigantic cartels was similar in nature to government restriction programs. Furthermore, within each nation, with

the exception of the United States, domestic cartels were organized on extremely intensive scales for the same purpose.

This program continued with full force and effect until 1926, and during that period Italy, France, and Belgium devalued their currencies to 80 percent of their old parity, while Germany and Austria and Russia went "through the roof" on an inflation program. This inflationary spiral, which resulted in such devaluations, enabled the restrictive schemes referred to to function effectively until devaluations became accomplished fact. Then return to gold was inevitable.

England took the lead toward deflation in 1926, coming back to gold at the old parity. This meant that the value of the pound in terms of gold increased 40 percent. In other words, a pound note in England, which previously had been worth only \$3.20, suddenly had a purchasing power of \$4.68. This caused a corresponding decline in prices, not only in the British Empire but in the entire world.

Consequently, beginning in 1926, throughout the entire world raw materials began a price decline which did not end until the summer of 1932. Likewise, the price of finished goods, though slowly following, went through the same process. We in this country did not feel this decline until the financial crisis in 1929 broke down the floodgates which had been built up by restrictive schemes of all types—not only throughout the world but here—and the impounded waters flooded not only this country but the entire world.

As an illustration of the drastic impact of this situation on prices, it is interesting to recall that silk fell from \$20 per pound in 1920 to \$1.13 in 1932, rubber from pre-war price of over \$1 to 2⅝ cents, sugar from a high of 34 cents per pound to a low of ⅝ cents per pound, cotton from a war price of around 40 cents to a low of 5¾ cents. Internationally stable commodities naturally fell more drastically and more rapidly than domestic articles, but the trend was there, and it inevitably worked out its course.

An acute decline was taken from 1929 to 1931 and would have stopped there had not a new deflationary force developed at that stage.

This new force began to operate in the British Empire in 1926, when Great Britain returned to gold for the first time since the declaration of war in 1914. In 1926 British laborers earning 1 pound sterling per week were then earning, in terms of American dollars, \$3.20 per week. Immediately on the return of gold this same laborer, receiving the same pound note for his week's work, got the equivalent in American gold dollars of \$4.86 for the same work done the previous week at \$3.20.

English industrialists, statesmen, economists unanimously forecast that unless British labor would cut its wages, at least to some extent commensurate with this heavy increase in the real wage, British exports would fall drastically. This was of particularly vital importance to Great Britain, because about 70 percent of her industrial production and a similarly large percentage of her coal production were exported. If she lost these exports, there would be, it was forecast, a tremendous decline in industrial activity, profits, employment, tax receipts, a break-down in the employment-insurance fund, and consequently an ever-expanding dole for the unemployed, an unbalanced budget, and, finally, chaos, bankruptcy, and a forced suspension of gold for the second time. This forecast was made in 1926, simultaneous with the request that labor reduce its wage and immediately after England had returned to gold. The fact that labor in the British Isles is so organized that it can control the entire labor body through one or two organizations resulted in a flat refusal of labor to understand the full import of the request; and consequently a general strike, as you will recall, was put into effect. After 3 days of full suspension of all activities within England and Scotland labor won. From that time forward exports fell, costs of production per unit rose, profits disappeared, employees were laid off, the employment-insurance scheme became bankrupt, the dole system became necessary, tax returns dwindled to a nominal figure, and the Government's deficit mounted by leaps and bounds. Inability to balance foreign debits and credits resulted in heavy withdrawals of gold which would have exhausted the gold reserve within a comparatively short time. The result was the suspension of gold for the second time. This became operative in September 1931.

The above illustrates clearly the ability to forecast economic forces and the stubborn refusal of labor to appreciate the fact that their own insistence upon their program, with a failure to comprehend capital's position, resulted in the destruction of their own objectives; and it further leads me to the direct cause of the tremendous acceleration of our own depression in this country, beginning immediately thereafter in September 1931. It would not be too much to forecast the same results here for the 30-hour week. Prior to that time the shock to our economic position had not been sufficiently great to prevent stability at the price level of that period, while, as a matter of fact, we proceeded within 12 months to take a decline in our general wholesale commodity index of 40 percent from the then existing level, which was on a parity with the level in Great Britain.

FORCES BEYOND THE CONTROL OF MANAGEMENT

In September 1931, as said above, price levels here were the same as those in Great Britain. England suspended gold, the pound sterling declined 40 percent in terms of the American dollar, and British products were now available to American importers 40 percent below where they had been the week before. This meant that American producers had to immediately cut their own sales price or they would have lost not only foreign markets where they had previously competed with Great Britain and her colonies but also American consumption which British prices would now reach. This decline of 40 percent ramified through our entire country. Nation after nation was forced to suspension by British action. For instance, Japan, 2 months later, permitted her currency to drop not 40 percent but 49 percent. This meant that a pound of silk selling on November 12, 1932, at \$2.50 per pound, the lowest price in history up to that time, 2 days later sold at \$1.13 and still yielded the Jap manufacturer the same number of yen as he had received the week before, when he sold the silk at twice the dollar price.

Then what happened? American manufacturers holding inventories in raw silk and finished goods found their inventory values

cut in half by conditions utterly beyond their control and beyond the control of the United States Government; but it did not stop there. Rayon manufacturers had to cut their price to compete with the silk price; cotton and wool had to follow similarly in order to hold the relative consumption of cotton and wool; otherwise such consumption would have been seriously displayed with silk.

The impact of this decline throughout our entire economy within a year's period was what forced our commercial structure on the rocks. Bank loans could not be liquidated, security prices again went into a tailspin in an effort on the part of the banks and borrowers to liquidate commercial loans which had already been impaired by the commodity declines, and here too, an endless chain of acting and interacting forces which did not end until the suspension of all banks and suspension of gold by the United States in March 1933. The only mistake made was that we had not suspended gold in September 1931 when England did; for England, by this suspension, has held her price level at the 1931 level, or better, since that day. Let labor leaders impress upon their followers the acute difficulties and financial pressure which their employers went through in those days and they will then begin to fully understand where today there is a confused, vague idea that industrial leadership has been the cause, and the major cause, of the depression. I would also say that this period has caused gigantic losses to capital investment; as a rough guess, we have lost in this depression, due to depreciation in industrial valuations, more than 10 times the entire war debt of European nations to this country. This should be borne in mind when loose statements are made that 290 companies in this country have increased their profits from $100,000 in 1932 to $202,000,000 in 1933 and to $430,000,000 in 1934.

Similar figures published by the National City Bank and Standard Statistics have been given great prominence recently. It is not a correct picture. They are selected companies. The vast majority of industry is operating so near the ragged edge of bankruptcy that it is disturbing to see such reasoning. Since 1929 there has been in the aggregate net losses instead of net profits to total capital investments. At this stage I merely want to point out that, in view of the tremendous impairment of capital, elimination of surplus and reserves, and inability to pay dividends, industry is today like a horse that went through the recent drought in the West and became nothing but a barrel of bones. It has been recently turned into a green pasture and it is beginning to get a little flesh on its bones. To take this horse out of the pasture and ride it double would simply cause it to collapse in its tracks.

THE PROFIT MOTIVE IN INDUSTRY

While on this subject, it would be just as well to say a few words in regard to the profit motive in industry. There is a very apparent tendency in some quarters to discredit it on the grounds that it is unsocial and should be eliminated. I will not quarrel with those who believe in State socialism—if that it what they want; but it is impossible to maintain the capitalistic system which has developed this country and given it the highest standard of living the world has ever known without the profit system. It is the very gasoline of the engine—without it the engine would be nothing but inanimate, lifeless matter which would disintegrate in time. Unless industry is allowed to rebuild its capital losses, build up adequate reserves for contingencies, build up dividends to induce new investments, and build up profits in addition thereto sufficient to enable it to buy the products of producers goods industries, we will never come out of this depression as a capitalistic nation. The result will be fascism, Hitlerism, or communism, among which there would be little choice.

The major factor fundamental in recovery today is confidence—confidence based on understanding between all the economic groups which go to make up modern society. Insofar as industrial organizations are concerned, it is essential that the relationship between employer and employees shall be on a basis assuring cooperation and harmony based on an understanding of their mutual problems.

Figures compiled by Colonel Ayers of the Cleveland Trust Co. show that as of August 1934 of the total unemployment, estimated at 11 million, roughly 50 percent of the unemployment was in the field of providers of services and the other 50 percent (excluding unemployed agricultural labor) lay in the fields of producers of construction, durable goods, and consumption goods. While these latter fields represented slightly more than 50 percent of the total unemployed, it is interesting to note that two of the three, namely—construction and durable goods—represented about 37 percent of the total unemployment, while in the consumers goods field the percentage of unemployment in that field of total unemployment was less than 20 percent.

Perhaps a clearer exposition of the same situation is given in the following figures, also submitted by Colonel Ayers: Employment in the construction field in September 1929 was 3,874,000, while in September 1934 it was 1,940,000; in the durable goods industries employment in September 1929, was 6,358,000 compared with 3,898,000 in 1934; employment of providers of services in September 1929 amounted to 21,822,000, compared with 18,192,000 in 1934. This shows in the durable goods and construction field combined a reduction from 10,232,000 in September 1929 to 5,838,000, or a total reduction of 4,394,000, or very close to 50 percent as of September 1934.

Contrast this with the unemployment in the consumers' goods field in September 1929, which was 14,902,000 and on September 1934 was 13,750,000, showing a decline of only 1,152,000.

From the above figures it can be readily seen that the crying need is for revival in the construction and durable goods field and primarily in the latter.

The revival in the producers' goods field however is dependent upon profitable operations in the consumers' goods field so that funds will be available for investment by them in producers' goods.

Without this profit, which must be sufficiently large to have wiped out impaired capital and set up adequate reserves against contingencies, no manufacturing concern will feel justified in expanding plant and equipment or replacing obsolete plant and equipment.

CONFIDENCE AND STABILITY

At this stage another factor bearing on the situation should be mentioned, namely, the Securities Act and the Securities Exchange Act, which have definitely obstructed the flow of savings into industry to assist it in making such adjustments. These acts can be so amended as to preserve the very beneficial features without blocking recovery. Finally, the attack which has been made from various sources on the profit motive in industry has been very disrupting in its effect on confidence on the part of both investors and manufacturers who might otherwise finance on one hand and place on the other hand sufficiently large orders for producers' goods as to effect a real revival of employment.

Consequently before we can expect such revival the profit motive in industry must be fully reestablished, real profits must be made possible and confidence in the safety of investment and stability of the currency assured to investors and confidence on the part of manufacturers of no further drastic and arbitrary changes in their manufacturing operations being imposed on them. These three factors once clearly established will have a very definite and early reflection in a rising tide of prosperity.

Senator NEELY. In your opinion, has the operation of the N. R. A. been injurious or beneficial?

Mr. SAXON. N. R. A. has undoubtedly had certain beneficial effects. In general, I think it has been rather disadvantageous. In particular industries it has had a very definite beneficial effect. Speaking of industry as a whole, I think it has retarded rather than helped it. I would like to clarify that in this way: The bottom of the world depression was reached in July 1932. Since that date there has been a slow upward turn, and it looks as if we may get some benefit from that upward swing.

It has been more rapid in Great Britain and Australia and Canada than in this country. In 1933 and 1934 Great Britain's employment had been reduced to a point that was lower than it had been at any time since 1920, with the exception of 1926. Industrial activity in Great Britain is at a higher rate of capacity than ours. Their exports have risen more rapidly. The same is true of Australia, and to a lesser degree is true of Canada. They have gone ahead more rapidly than we have.

I would not say that N. R. A. was not justified. Particular emergencies justify sometimes temporary expedients. It is a question of whether you are going to continue right through along the way you are going and increase the burden to a point that it will break the horse that is carrying the load. Scheme after scheme has been tried, and most of them have failed because they tried to ride the horse too long and the load became too heavy.

Senator NEELY. Have you any personal plan for the employment of the millions of idle workers in this country?

Mr. SAXON. Let me say that of these 11,000,000 unemployed workers roughly 50 percent are in the producers' goods field of industry, producers of heavy machines and things of that type, including the construction field; roughly 50 percent are in the service field, advertising, selling, and those fields that are primarily related to the producers' goods field. Approximately 50 percent of our entire employment today, excluding agricultural labor, is in the field of producers' goods and construction and in the service fields, which are largely idle because of the slack in the construction field.

In regard to your question, sir, I would like to say that the billions of money being spent by the Public Works program, in my opinion, are not accomplishing the desired purpose. The fundamental purpose of the Public Works program is to prime the pump and not take the load on its own back.

If the United States Government, with all the money it is spending, spent twice as much as it has spent, it could not spend what industry in the aggregate should be spending. The billions of dollars put out in one program represent a comparatively small sum, compared with what would be spent if you could get the construction and producers' goods industries back to work. What is the fallacy of the program? There are two things. Industry is just as much to blame as labor:

First, the building-trades codes permitted price fixing, allocation of territory, and restriction of production, with the result that prices in the building trades have risen to within 20 percent of the 1926 level, while in other industries the rise has not been anywhere near so great. I am sure there is no field so unattractive as a matter of investment as the building of a new home today, because the cost of construction is out of line with any other investment you could think of. Labor is being paid $1.20 an hour on Government works programs. Instead of paying 60 or 70 cents an hour, which would give them a wage which would be fairly in line with the more efficient industries, we have been and are paying them $1.20.

As I started to say, there are two factors, the high cost of materials and the high wages, as the result of Government expenditures, which have limited new construction to the Government's program. The real functions of a Government program today should be to stimulate the producers' goods industry and construction industry so as to increase the volume of production, which in turn would reduce unit costs of production and enable the great body of the people to remodel, repair, and build new homes at low costs.

Senator NEELY. Do you advocate a general reduction of wages?

Mr. SAXON. No; I do not. I have already referred to the fact that the workers in the construction industry are being paid $1.20 an hour on Government works program, instead of the 60 or 70 cents an hour prevailing in other industries. I think we have got to increase the real wage rather than at the present time to penalize industry as a whole with a 30-hour week which would reduce the real wage. As I get this program, with the real-wage increase you get expanding consumption, expanding demand for labor, and increased volume of production. I think profits would begin to appear, which have disappeared except in specialized industries.

I do not believe in a reduction in the hours of work. I believe, on the other hand, that we should not strait-jacket industry in any form. I believe in an extension of the maximum hours. I believe the 40-hour week with overtime allowance of 25 or 30 or 50 percent would give industry the additional help it needs, and also give those who are at work today a chance to earn a higher aggregate weekly wage.

The National Industrial Conference Board and the Bureau of Labor Statistics both bring out clearly the average hours worked per week today are 34, against an average of 40 hours allowable. That means that industry is not living up to its present possibilities. Why is it not? Primarily because the prices went up more rapidly than the increase in the real wage, or the real income, and so consumption declined and production likewise. Of course, labor as a whole was not benefited by the increase in the monetary wage under the N. R. A.

Senator AUSTIN. In connection with your testimony about the 40-hour week, do you think that reemployment or increased employment can be accomplished by fixing an arbitrary limitation?

Mr. SAXON. No, sir. I believe it ought to be made applicable to each industry, with the approval of some governmental agency. You cannot strait-jacket industry by this kind of uniformity. It will not work. I don't think there is much doubt that certain industries in this country could adopt the 30-hour week. It would undoubtedly mean the loss of our exports, but we find that the export demand is declining, anyway.

Senator NEELY. You referred to the fact that the Government was paying labor on Federal projects $1.20 an hour instead of 60 cents, and I understood your inference to be that the Government on the 60-cent rate would be able to employ twice as many workmen as otherwise. Do you mean that you are in favor of reducing the Government wage from $1.20 to 60 cents?

Mr. SAXON. Very definitely; for two reasons: First, because it would take up the slack in the field where there is greater unemployment; and, secondly, it would mean that you or I or the other fellow who want to build a new home would not have to compete with the $1.20 wage. You can't compete with it. We won't do it, because we can put our money into something that will bring us a greater return or be a safer investment.

Senator NEELY. Do you believe that purchasing power generally can be increased by diminishing wages?

Mr. SAXON. No; I do not. It cannot directly, but indirectly it can, in this way: Take a new house, the cost of which we will say is $15,000, and say $7,000 for labor and $8,000 for materials. Both those elements are too high. Both labor and materials in this field are higher than in others. The labor price is the same as it was in 1929. Both those factors should be reduced so as to stimulate or prime the engine, rather than the Government taking up the full load; then every man in the country should carry his proper share of the cost of remodeling and repairing, or building new houses. Then you would get a real increase in the employment stimulated by demand for reasonably priced labor and materials for building.

In the aggregate there would be a very definite expansion of employment through a very definite expansion in construction work, such as the building of new houses—particularly of the smaller type. The Home Owners' Loan program has not worked very satisfactorily. It was perfectly sound, but what we need is less-expensive houses, not higher-priced houses. I would rather invest in anything I know of than a new house, under these conditions.

Senator NEELY. What do you thing would be a proper wage for employees on government construction projects?

Mr. SAXON. It ought to be in line with the industrial standards. For instance, I happen to know something about the petroleum code. They pay their unskilled labor 55 cents an hour, with the exception of a 20-percent leeway for colored men. Fifty-five cents an hour is the standard wage for unskilled labor in the strongest industry in this country.

Senator NEELY. Are you in favor of that wage?

Mr. SAXON. I think it is all right under present conditions.

I think it is representative of the strongest industry that we have, the one that has increased its consuming power during the period of depression. Its production has been cut, but by Government action. I was advised by the research and planning division that they are paying the highest aggregate average weekly pay roll of any industry in the country. There are three industries—the automobile industry, one of the dress-goods trades, and the motion-picture industry—that have higher potential weekly earnings, but the highest actual weekly earnings are in the petroleum field. The basic minimum wage is 55 cents per hour for unskilled labor, and it runs up to 60 or 70 or 75 cents an hour for skilled labor. Yet we are paying on Government projects $1.20 an hour. That does not apply to relief work. I am speaking of the Public Works program. You have got to be in accord with the realities of the situation if your effort is to prime the pump.

Senator NEELY. What is your specific recommendation regarding the reduction of wages in the field covered by the building trades?

Mr. SAXON. First, I would want to make a very definite investigation into the Public Works program, where the pay is higher than in the highest-paid industry in the country, which is 55 cents an hour for unskilled labor as a minimum, and a proportionately higher rate for skilled labor.

Senator AUSTIN. Properly classified?

Mr. SAXON. Properly classified. That should be done on each particular job, depending upon the circumstances, the location, the geographical situation. The cost of living varies in the various communities.

Senator NEELY. What number of hours a day do you have in mind for the building industry?

Mr. SAXON. I do not feel qualified to answer that.

As a rough guess, around 40 hours would be a fair working week.

Senator NEELY. That would mean, at 55 cents an hour, that an individual working in the building trades would have an income of $22 a week or about $90 a month. Do you think that is a sufficient wage for the head of a family of five?

Mr. SAXON. That is for unskilled labor. Most of the men in the building trades are skilled laborers, and they would generally be paid a higher wage. I should say on that basis they would get 80 or 90 cents an hour, probably 75, instead of 55. The average weekly wage under the petroleum code runs around between $24 and $26.

Senator NEELY. A week?

Mr. SAXON. Yes.

Senator NEELY. Do you believe that represents a proper American standard?

Mr. SAXON. I do, under present conditions, until we reach the point where our technological progress enables us through normal

economic forces to reduce the hours of work by increasing the productivity of labor.

Senator NEELY. How does the wage of $24 a week under the petroleum code in 1934 compare with that in the industry in 1929?

Mr. SAXON. I have exact figures on that, I think.

Taking the lowest type of labor, marketing and refining, and such, it is 107 percent of the 1929 level for all classes, and as high as 118 percent in some classes. In other classes it is as low as 98.

Senator NEELY. Would you say that approximately $24 a week was the average in 1929?

Mr. SAXON. Yes. You will be surprised at the number of industries where that is true. In the aggregate the pay roll of industry is increasing. But with the increase in the cost of living and the increase in the aggregate pay roll of all industry they did not get an increase in the real wage.

Senator NEELY. As a general proposition, are you in favor of at least striving for an increase in wages and a decrease in the hours of service, or are you in favor of a decrease in wages and salaries and an increase in the hours of service?

Mr. SAXON. Fundamentally, all of us want an increase in real wages and a decrease in the hours of work, and we are getting it slowly by natural forces. About 60 years ago the normal work week in American industry was 60 hours. That was reduced to the precode level of 50 hours, with a further reduction to something like 40 hours under the code. We all look forward to the time when we shall be able to reduce the working hours still further to 30 or even to 25 by the operation of economic forces. From 1900 to 1929 they were reduced from 57 to about 50.

Senator NEELY. I understand your opinion to be that the reduction in the hours of service in the past has been the result of the inexorable law of supply and demand?

Mr. SAXON. Increased productivity of labor and capital.

Senator NEELY. Is it not a fact that the majority of the reductions of hours of service in this country in the last 30 years have been made by legislation?

Mr. SAXON. I do not agree with that. Undoubtedly, the minimum-wage laws in various States have done a great deal toward social betterment in certain industries. I do not deny that. I am in favor of it. But taking industry as a whole, the real gain has come through natural forces. When capital develops new machinery and you reduce the cost of production 50 percent, let us see how it is distributed. Let us see what is going to determine whether capital will grab all that increase or whether labor is going to get a part of it, or whether the consumer will get a part of it.

Suppose we are all competitors. We will develop a machine that will cut your costs 50 percent. You immediately acquire some of my business, or you desire to acquire some of my business or the Senator's business, and you cut your cost just enough to undersell the rest of us. That puts pressure on us to do the same thing. We develop new devices. We begin immediately to reduce the cost to the public, which increases the real income or the wages of the country as a whole.

Now, labor knows that there is an increased profit for that industry, and they are in a position to demand more. They are entitled to it. That is a question of the strength of collective bargaining, and rightly

so. But, after all, that industry is located, we will say, in Alabama, and in competition with other industries. There is a competitive situation between that industry and others. In the ultimate analysis that 50-percent saving will be distributed among three factors: The consuming public through a reduction in prices; labor by the increase of the real wage through reduction in prices and increase in the monetary wage; and, third, taking on more men and producing more goods as the result of the declining prices increasing demand.

You may say that capital can hold back 90 percent of that profit, and the remainder of the 50 percent saving will be passed to the public and labor. That is possible, but that can be solved in another way. Capital may take too large a share, but I think one lesson industry has learned is that you cannot impair the purchasing power of labor without destroying capital, and consequently there is the fact that they realize that both capital and labor are tied together. It is to the advantage of capital to take even a smaller percentage of profit in order to get a larger aggregate amount of profit from increased volume of production, reduction in cost, and increased demand for the products of labor.

Senator HATCH. Do you think that capital has learned that lesson?

Mr. SAXON. I do, sir.

Senator NEELY. Do you remember when the Adamson law providing an 8-hour day on railroads was adopted?

Mr. SAXON. Yes.

Senator NEELY. Was not almost the identical argument you are offering here submitted in opposition to the enactment of the Adamson law?

Mr. SAXON. That is true, generally.

Senator NEELY. Is it your opinion that the Adamson 8-hour law injuriously affected the people of this country?

Mr. SAXON. You have now a little different situation in that respect. You have a public utility subject to Government control in rate making, and the whole theory under which the Adamson Law was passed and the basis on which they overrode these arguments was that the Government would insure an adequate return to capital of 6 percent on the agreed valuation. They have never agreed on it. That fight has been on ever since, and the result is that the railroads of the country have never had a fair break in the circumstances. If they had been allowed to charge sufficient to yield a fair return on the capital investment, there would have been a net decrease in the use of the railroads. The rates would have been too high. The net result has been that the rates were fixed in accordance with political demands and pressure of one type and another; and what has happened? The railroads have continually extended their funded debt to the extent that a number of them are bankrupt and the remainder are dangerously near it.

Senator NEELY. That may be true, but in 1928 and 1929, with the Adamson law in full force and effect, railroad stocks reached a higher level on the stock exchange than they had ever reached before.

Mr. SAXON. That was the result of a speculative bubble in Europe. Raw-material prices went down, and there was a definite flight from raw materials into stocks of this country. Those who had their funds invested in raw-materials enterprises got into the American

stock market on the theory that our supply of gold would bring high prices. It was a speculative furore beyond all proportions.

Senator NEELY. In any event the Adamson 8-hour law did not prevent the railroads from becoming more prosperous than they had ever been before.

Mr. SAXON. Apparently only. I can give you instances of stocks in many fields that have never paid a dividend in their entire history which sold at $200 per share without justification.

Senator NEELY. It has only been a few years since one of the New England States enacted a law that women should not work in certain industries more than 14 hours a day.

Mr. SAXON. Yes.

Senator NEELY. Do you believe that the limitation of hours of service in that case was the result of natural laws or the result of legislation?

Mr. SAXON. That was very evidently the result of social legislation that was justified. If you want to reverse that type of legislation, go into the bakery and restaurant and dishwashing trades, where they work 50 to 60 hours a week, and put them under a strait-jacket.

Senator NEELY. On what basis have you reached the conclusion that 40 hours or 44 hours represent the proper length of service for one week and that the 30-hour week might not be even better?

Mr. SAXON. For this reason, sir: You asked a few minutes ago whether I thought $24 a week was sufficient for the average man. Under present conditions, I do think so. You are allowed to work 40 hours instead of 34, and he would get a greater aggregate weekly envelop. Those who are employed today have been under pressure since 1929. Mr. Hoover started out to spread the work, and he said the workers could not make enough to maintain a decent standard of living. I think it is about time that the employed, the 22 millions who are under N. R. A. codes, should be given a chance to earn a little more. They will not get an increase in purchasing power if you increase the purchasing power of some of these 10 million who are unemployed.

Senator NEELY. Is that a fact? Would not a great increase in purchasing power result from putting the 11 million who are now idle to work?

Mr. SAXON. The real difference is that the fellow who is going to get an increase in wages by working overtime and working 40 hours instead of 34 is producing something. The new fellow who is going to work is simply the fifth man to do what four men have been doing. There is nothing extra to distribute. The result is that you are taking that additional cost out of capital, which is already on the narrow edge of bankruptcy, because the margin between cost and the resale price has dwindled down until it has almost disappeared.

Senator NEELY. Additional power to consume is what we need. We are now adopting all sorts of restrictive measures by legislation for the purpose of decreasing production.

Mr. SAXON. Which is a great fallacy in itself.

Senator NEELY. But those who are now unemployed are more concerned than the consumer, because they have been without wages for such a long time that their purchasing and consumptive capacity has disappeared.

Mr. SAXON. There is a certain economic formula that capital times labor times land equals total national income. Assume that capital is 10, labor is 10, and land is 5. You have 500 as representing total national production. Assume that we cut labor, or capital, for that matter, from 10 to 8. You would not have 500, but you would have probably 400 to distribute among all of them. There would be that much less to distribute. How can there be an increase in the standard of living under those circumstances? You might say that if you take two off of labor and add it to capital you will get the same result. But the question is, can capital stand that extra burden? The law of economics says that capital and labor can share the increased productivity between them, provided any increased productivity exists. But you have got to produce it before it can be distributed.

Senator NEELY. Why should we endeavor to increase the output of our manufacturing plants and farms, without first finding means of enabling the consuming public to purchase what is produced now?

Mr. SAXON. We can buy what is produced today, if we have the proper price on the market. You are throwing another element into the argument.

Senator NEELY. I am not arguing. I am asking you a question based upon one of your theories, namely, that we should increase the hours of service of those already at work instead of employing those who have long been idle.

Mr. SAXON. I have not quite advocated that.

Senator NEELY. Then I misunderstood you.

Mr. SAXON. I have already said that the Bureau of Research and Planning of the N. R. A. gave me these figures. I checked them to some extent, but I could not check them in the aggregate. Industry is today operating less than 34 hours a week, whereas under the N. R. A. 40 hours is allowable. There is a gap of 6 hours that is not being used. Why is it not being used? Simply because the increased cost that has resulted from N. R. A. has been greater than the increased wage in the aggregate, and, furthermore, that the consuming public did not benefit from the increased monetary wage. If you adopt a 30-hour week you are going to kill a great many industries. Some will survive it, and others will not. What I am worrying about is the uniform strait-jacket. In some specific instances you may do it.

Senator NEELY. Unless we shorten the working week how can we hope to employ the 11,000,000 men and women who are now idle?

Mr. SAXON. I think the clear way out is through the Home Owners' Loan program and the Public Works program, but the latter is being misapplied. Can you conceive what would happen if we could do what they have done in England in the last 4 years, with the erection of a large number of small houses that would average $6,000 or $7,000? How can we do it with material costs 20 percent higher than in other fields and with the labor cost in the building trades what it is today?

Senator NEELY. Then you propose to reduce wages and reduce the cost of materials?

Mr. SAXON. In that field; yes.

Senator NEELY. Would not a formula that would apply to that field apply to all others?

Mr. SAXON. Not at all. It does vary. There is a variance between industries.

Senator NEELY. How many are there unemployed in the building trades?

Mr. SAXON. Yes. I will give it to you as exactly as it can be given as of August or September. I believe it was September. It has been checked and agreed on. Employment in the construction field in September 1929 was 3,847,000 workers; in September 1934, 1,940,000 workers.

Senator NEELY. That means that approximately 50 percent of the workers in the construction field are out of employment?

Mr. SAXON. In the construction field. In the heavy industries' field, the durable-goods industry, the decrease was from 6,358,000 to 3,898,000. In the two fields combined there was a reduction from 10,232,000, in September 1929 to 5,838,000 in August 1934, or a net reduction of 4,394,000, or close to 50 percent of the entire unemployment as of September 1934. And, sir, what is more important, the remaining unemployed, with the exception of 20 percent of the total, were in the service trades that are very closely allied to the other two fields.

Senator NEELY. You are in favor of a reduction in wages and also material costs in the construction industry.

Mr. SAXON. Yes.

Senator NEELY. Are you also in favor of a reduction in wages and the cost of materials in the heavy industries field?

Mr. SAXON. No. My argument there is that you must allow the consumers goods industry, where the unemployment figure is only 20 percent of the total, a margin of profit sufficient to enable them to buy producers' goods, which will stimulate employment in that field, and in the service fields applicable thereto.

Senator NEELY. What wages would you suggest for the 3,000,000 unemployed in the heavy industries?

Mr. SAXON. My suggestion there would be to wait until such time as normal forces, supplemented by sound public-works program, or home owners' loan program, relieves the situation; but to take care of them under Government relief. You will have to do that. I think we are postponing the day of putting them back to work by imposing an arbitrary limitation of hours upon the consumers' goods industry.

Senator NEELY. Professor, in what other industry are you in favor of reducing wages?

Mr. SAXON. In answer to that, I wish to state categorically that I am not in favor of reducing wages in general. I am in favor of raising the minimum, but it must be accomplished by an increase in production, unless we do it temporarily.

Senator NEELY. In what industry do you believe additional production could now be consumed?

Mr. SAXON. That is a matter of interaction among themselves. If we can increase the volume of production, it will mean a lower unit cost, and you could lower prices without lowering the profits and wages. That would increase consumption, and as consumption increases it would mean a demand for more labor. It would mean a demand for labor in that field, but it would ramify, like the automobile and steel industries, into a dozen others.

Senator NEELY. But how can you increase consumption among 11 million people who have been without jobs and without wages for 4 or 5 years?

Mr. SAXON. I have not touched on one particular point before, but statistics are available in the N. R. A. to the effect that the vast majority of those who are seeking work from oil producers and refiners and in the technical field come from three groups. A good many of them are from agriculture. And why? Because of the restrictions upon agricultural production. You go into the South and you will find that the Texas and Oklahoma oil fields are being flooded with fellows who used to be share-croppers, or one thing or another. The statistics are available on that. It comes right back to those two fields of construction and heavy-goods industry again, plus agriculture. The Department of Agriculture in its reduction program has very definitely forced men into the relief program or forced them into other industries.

Senator NEELY. Referring to the $24 a week wages for the oil workers in 1934, how many hours then constituted a week—40?

Mr. SAXON. No; they worked more than that. I will give you the figures on that. I have them here at hand. The average reduction in hours for all classes of workers is 16.7 percent since 1933. You will find in some instances they shrunk the hours from 25 to 30 percent, but the average for marketing production and refining the products was 16.7 percent since 1933.

Senator NEELY. How many hours a week did those men work?

Mr. SAXON. I am speaking from recollection. It was around 50.

Senator NEELY. Fifty hours for $24?

Mr. SAXON. Yes. There is another figure here which might verify that. No; I can't give you that, either.

Senator NEELY. Professor, what has been the average salary of professors at Yale since 1929?

Mr. SAXON. I should say they vary between $5,000 and $9,000, with an average, I should say, of around $7,000. That is with the exception of a few endowed chairs, with special endowments for special purposes, which might pay $10,000 to $12,000.

Senator NEELY. You think the average has been $7,000 a year?

Mr. SAXON. That would be the average.

Senator NEELY. Are there any hours of service there?

Mr. SAXON. No.

Senator NEELY. What is the number of hours devoted to instructional work in classrooms?

Mr. SAXON. The average professor actually teaches not more than 12 or 15 hours a week; but, of course, that is not representative of what work he is doing.

Senator NEELY. What are the hours of service—on the average—of a Yale professor?

Mr. SAXON. I worked in business for 10 years before I went to teaching. I would say that, doing the job as I am doing it, I would rather be in business. It hasn't the nerve-racking effect, but the length of time involved in seminar work, in teaching, in writing, preparation of lectures, correction of theses, and one thing and another, takes up a considerable amount of time. I never have free time except in the summer. There, of course, we have a little advantage. But that is when we are supposed to begin research work.

Senator NEELY. Could you estimate the average hours of service?

Mr. SAXON. I begin at 8 in the morning on 3 days in the week, and at 9 on 3 days in the week. I usually get home for dinner not

more than 3 evenings a week. I have dinner usually at 6 or 6:30. I usually have a group of students that will discuss, after dinner, certain things. It might be the textile strike, or marketing procedure, or what not. All the afternoon is taken up in interviewing students. I should say the actual hours of work per day would be 10.

Senator NEELY. I observe from your stationery that you are in the department of social science at Yale.

Mr. SAXON. Yes.

Senator NEELY. Is that department supported by endowments?

Mr. SAXON. The department, as such, has no separate endowment. The university as a whole is endowed.

Senator NEELY. How is it maintained?

Mr. SAXON. Yale is maintained from three sources.

Senator NEELY. What are they?

Mr. SAXON. Endowments, contributions by alumni to meet annual deficits, and by income from the students for rents and tuition fees. Before the depression they worked on an even balance. Since the depression they have had annual deficits, which have had to be made up by contributions from graduates of over a million dollars.

Senator NEELY. Can you tell us the sources from which five or six of Yale's endowments were received?

Mr. SAXON. I cannot. That is something I do not have any occasion to investigate. That is the administrative branch of the university. I know that the endowments are received from various sources. At one time it was about $100,000,000. Previously it was over $200,000,000, or approximately that. I don't know the source of it. I know the dormitories built recently, the large Harkness dormitories, were not an endowment. It was just a gift of plant equipment.

Senator NEELY. Did you ever receive an endowment from the Carnegie Foundation?

Mr. SAXON. No endowment. Carnegie does contribute from time to time funds for special research studies.

Senator NEELY. Do you receive any from the Morgan group?

Mr. SAXON. No. I believe Morgan is Harvard.

Senator NEELY. Or any from the Rockefeller group?

Mr. SAXON. The Rockefeller Foundation, from time to time finances, along with the university, various studies made by the medical arts and other departments, in regard to typhoid and things of that sort.

Senator NEELY. Professor, did you come here voluntarily, or did someone request you to come?

Mr. SAXON. I was invited down to Washington 2 weeks ago by the Industrial Advisory Board to more or less steer their program before the N. R. A. in the hearing relating to the labor features of the N. R. A. I advised them for about a week and delivered a brief address before that body. The suggestion was made from several sources at that time that, inasmuch as this particular hearing was going on, it might be of interest to the committee to have my point of view.

Senator NEELY. At whose request did you appear?

Mr. SAXON. At nobody's request. I am here of my own accord. I represent no one.

Senator NEELY. No one at all?

Mr. SAXON. No.

Senator NEELY. Are you paying your own expenses?

Mr. SAXON. My expenses are available from two sources that I may collect if I so desire. They told me actual transportation and sustenance would be reimbursed, if necessary.

Senator NEELY. We are not trying to scrutinize your private affairs, but the committee wish to know whether to accept your statements as those of a paid advocate or a patriotic volunteer.

Mr. SAXON. I am here because I sincerely believe in it.

Senator NEELY. You would have a perfect right to accept a fee for coming here.

Mr. SAXON. There is no fee. I will probably submit a bill of $25 or $30 for my expenses.

Senator NEELY. Are there any further questions?

Senator AUSTIN. You might be interested to know that one of the proponents of the 30-hour bill under consideration at this time, Mr. Harvey C. Fremming, who was appearing here as the president of the International Association of Oil Field, Gas Well, and Refinery Workers of America, asked this committee to consider your testimony that appears in the transcript of the hearing before the Petroleum Labor Policy Board, at page 202.

Mr. SAXON. I have not seen it.

Senator AUSTIN. You did not know that, did you?

Mr. SAXON. No.

Senator AUSTIN. To that extent, at least, the proponents of this bill have vouched for you.

I want to ask you if your views, as expressed in that statement made by you and in your cross examination on January 10, 1935, which Mr. Fremming caused to be filed with this committee as evidence, remain today as you stated them then?

Mr. SAXON. They do, with this qualification, sir; that the original transcript sent up to me was rather mutilated, and I rather amended it in accordance with the original presentation. I corrected the stenographic record.

Senator AUSTIN. I am not referring to stenographic errors. I am referring to the substance of it.

Mr. SAXON. Yes; of course, stenographic errors might change the substance.

Senator AUSTIN. Yes; but subject to stenographic errors, does that represent your views today as well as it did then?

Mr. SAXON. Exactly.

Senator AUSTIN. I ask to have this whole stenographic record of your statement considered, not printed, but considered in connection with this examination.

Senator NEELY. Very well.

Senator AUSTIN. Yes; Mr. Fremming brought in three sets of them.

(Discussion off the record.)

Senator AUSTIN. You just made a statement off the record. I should like to have it on the record. Will you kindly repeat the statement?

Mr. SAXON. With reference to my testimony before the Petroleum Labor Policy Board, I am advised, though I have not personally seen it, that certain labor publications have taken sentences from various paragraphs and put them together as if it were a composite paragraph, so as to give quite a different interpretation than would be obtained by reading the original context.

Senator NEELY. Are there any further questions?

Senator HATCH. I want to ask a question or two.

I gathered from what you said in relation to the construction industry and the reduction of wages, that the reason for that was that you believe the cost of materials and labor had advanced in that particular industry more rapidly than in other lines and were, therefore, out of line.

Mr. SAXON. Yes.

Senator HATCH. Is it or is it not a general policy of reduction of wages that you favor?

Mr. SAXON. I do not favor a general reduction of wages.

Senator HATCH. You were simply referring to that particular industry, to keep it in line with others?

Mr. SAXON. That is right.

Senator HATCH. That is what you meant?

Mr. SAXON. Yes. That would induce others to go into the field where the Government is trying to carry the whole load.

Senator HATCH. If you could bring the low level up to the high, it would have the same effect, would it not?

Mr. SAXON. It would have the same effect.

Senator HATCH. You would not object to that, would you?

Mr. SAXON. I would not object to it, but my argument is that to add additional cost to industry today, or at this time, would have an injurious effect.

Senator HATCH. You may not want to answer this, but from your statement a short time ago I thought you were in favor of the repeal of the N. R. A. and the whole crop reduction program. Do you think that would be advantageous, if you care to go into it?

Mr. SAXON. I am perfectly willing to go into it. I think they were fully justified at the time they were adopted. There were two questions. One was the N. R. A. and the other was the agricultural program. I think the net result of N. R. A. has been unfavorable, although favorable to specific industries. I have not attacked the N. R. A. on the ground that it is useless, but I would recommend a continuance of it with permissive rather than compulsory codification of industry. It should not be uniform in all industries, but should apply to particular industries where the circumstances particularly warrant it, with Government control to see that there is not gouging of the public or unfair practices toward competitors or labor.

So far as the agricultural program is concerned, that is something I feel more keenly about, because I was in international trade for a number of years. I saw the British restriction scheme on rubber, and the Japanese silk scheme, and I saw others. It is just a question of how long we are going to continue. Secretary Wallace is aware of that, but whether he can stop when he wants to or not, is a question. If we are to gear down and restrict the consumption

of cotton, then cotton labor must be absorbed somewhere else or go down to a lower standard of living. Every nation under pressure has tried to relieve its own people. In France we had until a few months ago a gold price of $2.30 for wheat. They were gouging their own people so that France could export more, import less, and develop a favorable trade balance. But what happened? After a period of 3 years of that the French Parliament, realizing the policy was costing them something like $50,000,000 a year, and they were developing surplus stocks, and farmers were producing more wheat than France could consume, came back to the wheat markets of the world.

Senator NEELY. The subcommittee will adjourn until 10:30 tomorrow morning.

(Whereupon, at 4:45 p. m., the subcommittee adjourned until the following day, Tuesday, Feb. 12, 1935, at 10:30 a. m.)

THIRTY-HOUR WORK WEEK

TUESDAY, FEBRUARY 12, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met pursuant to adjournment in the committee room, Capitol, at 10:30 a. m., Senator M. M. Neely (chairman) presiding.

Present: Senators Neely (chairman) and Austin.

STATEMENT OF JAMES A. EMERY, WASHINGTON, D. C., REPRESENTING THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. EMERY. Mr. Chairman and gentlemen of the committee, I am appearing in behalf of the National Association of Manufacturers of the United States, a national organization of men engaged in various forms of manufacturing in substantially all the States of the Union. I appear likewise in behalf of a list of associations cooperating with them in the presentation of their views with respect to S. 87 pending before you. I file herewith a list of the associations I am authorized to represent.

Senator NEELY. It will be printed in the record.

(The list referred to is as follows:)

National Association of Manufacturers, 11 West Forty-second Street, New York.
National Founders Association, Chicago, Ill.
National Metal Trades Association, Chicago, Ill.
National Erectors Association, New York.
Association Industries of Alabama, Birmingham, Ala.
Associated Industries of Kansas, Topeka, Kans.
Associated Industries of Kentucky, Louisville, Ky.
Associated Industries of Maine, Portland, Maine.
Associated Industries of Massachusetts, Boston, Mass.
Associated Industries of Missouri, St. Louis, Mo.
Associated Industries of Montana, Butte, Mont.
Associated Industries of Florida, Jacksonville, Fla.
Associated Industries of New York State, Buffalo, N. Y.
Associated Industries of Oklahoma, Oklahoma City, Okla.
Associated Industries of Vermont, Rutland, Vt.
Colorado Manufacturers & Merchants Association, Denver, Colo.
Georgia Manufacturers Association, Atlanta, Ga.
Indiana Manufacturers Association, Indianapolis, Ind.
Iowa Manufacturers Association, Des Moines, Iowa.
Louisiana Manufacturers Association, New Orleans, La.
Manufacturers Association of Connecticut, Hartford, Conn.
Manufacturers Association of New Jersey, Trenton, N. J.

Manufacturers Association of Wilmington, Wilmington, Del.
Manufacturers & Employers Association of South Dakota, Sioux Falls, S. Dak.
Manufacturers & Merchants Association, Portland, Oreg.
Michigan Employers Association, Detroit, Mich.
Minnesota Employers Association, St. Paul, Minn.
Nebraska Manufacturers Association, Lincoln, Nebr.
New Hampshire Manufacturers Association, Manchester, N. H.
Ohio Manufacturers Association, Columbus, Ohio.
Tennessee Manufacturers Association, Nashville, Tenn.
Texas Manufacturers Association, San Antonio, Tex.
Virginia Manufacturers Association, Richmond, Va.

Mr. EMERY. These are organizations of manufacturers in some 35 States in the Union, and also national industrial associations of foundries, like the National Foundries Association, representing the membership of a great many of the large foundries of the United States; and the National Metal Trades Association, representing through its branches in many cities and States a large aggregation of those engaged in the metal industries of the United States. They are employers at the present time of several million of men and they are deeply interested in the nature of this measure, Mr. Chairman. Not only the economic features which have been presented to you by those who can speak with professional authority upon that subject, but also in the principles of Government control and regulation which are vital issues in this measure.

They feel a deep and abiding interest, not merely because of the effect this policy will have upon employment in the United States, but because of the principles of control which will vitally affect the future conduct of manufacturing in the United States. And also because we feel it will multiply the many uncertainties which have greatly clouded our future and make it more difficult for the industries of the United States to move forward as they normally function.

Therefore, Mr. Chairman, with your permission, I will discuss the form and the legal effects of this measure, confining myself to the question of power involved since you have had authoritative discussions on the question of the policy.

I approach it with a deep sense of the responsibility that devolves upon me to present the views of these organizations with respect to these fundamental principles of government. I trust the committee will be indulgent enough to permit me to consider the form of the bill and the principles involved in it. I feel confident that when the committee realizes the serious character of the principles of control here involved you will realize that for the first time in the history of our Government, or of any government, that rests upon free institutions we are confronted with a form of control without precedent in the history of national authority.

I will ask you first to note the form of the bill. Its genesis is found in the original proposal of Senator Black, S. 5267, in the Seventy-second Congress, first session.

The first section of this bill is the substance of that measure. But in form and in its exceptions and the penalties it is greatly changed by the additional drastic methods of enforcement and proposals of additional control which the present measure carries.

The first section prohibits the shipping, transportation, or delivery in interstate commerce of the products of six classes of establishments, there defined, which, with one or more exceptions, may not work their employees more than 5 days a week or 6 hours a day. These labor standards are further extended to various agreements, and codes of competition which have been, or which may hereafter, be approved, prescribed, or issued under the provisions of the National Industrial Recovery Act.

In other words, the provisions of section 4 of this bill would undertake to introduce or include within the labor provisions or standards of section 1 of this bill certain amendments to the provisions of such codes as may have been or may hereafter be approved by the President of the United States. It would compulsorily amend 548 codes which were approved up to February 2, 1935, under title I of section 3 (a) of the National Industrial Recovery Act, and 19 additional codes which have been negotiated and approved under the same act under section 8 (b), which relates to the Agricultural Adjustment Act and authorizes the President by Executive order to delegate his authority to the Secretary of Agriculture to negotiate and control and approve all codes relating to all those industries in the agricultural field.

In addition to that, this bill would amend by a compulsory insertion of its labor standards all the voluntary employment agreements which have been negotiated by the President with various individual employers throughout the United States. A great portion of these were made prior to the negotiation, formulation, and approval of the 548 codes to which I have referred. These individual forms of employment agreements which the President offered the employers of the United States, the terms of which were voluntarily accepted, which would be compulsorily amended by the introduction into them of these standards of employment which are not at present part of them. In order that you may understand the wide-spread effect of that, it would include about 90 percent of the employers of the United States who are at present operating under these codes.

The bill excludes the Government, the railroads, agriculture, professional service, and domestic servants. In addition, the bill by section 2 (a) prohibits the purchase by the United States or any of its agents of any article or commodity from any business enterprise operating contrary to any of the provisions of the act, and specifically the six classes of production which are enumerated in section 1.

I call particular attention to the fact that throughout this bill a distinction is shown in the restrictions and penalties imposed by its terms upon the six forms of employment enumerated in section 1 of the bill, and all other forms of employment which by the amendments of the codes are brought under the operation of its labor standards. These distinctions will become important later in considering the legal effect of this measure.

Not only is the United States or any of its agents prohibited from purchasing from any business enterprise which operates contrary to any of the provisions of this act, but all contracts for public works must stipulate as a part of the agreement that contractors will not purchase or use any articles or commodities from a business enterprise which violated any provision of this act, and specifically the six classes of employment enumerated in section 1.

And the Government is prohibited from making or renewing any loan to any employer included in section 1, operating in violation of the labor standards of this act. This is confined to the six types of employers enumerated under section 1 of the bill. It does not specify whether failure to conform to this requirement on the part of any of the employments within the code which are brought within the operation of this bill by the fourth section would be a violation of the act.

The credit of the Government is thus withdrawn from any employer who violates the labor standards mentioned under section 1 and who is enumerated in that section. Such employers are required to agree, if they make application for a loan, as a condition thereto, that if they should, after making that agreement, violate any of the labor standards required, the principal of the loan shall immediately become due and payable. That is a very severe penalty, in addition to others provided in the act.

Then there is a broad criminal provision which constitutes section 6 of the act. It is in a somewhat unusual form, because it not only makes any violation of any provisions of this act a crime punishable by a $200 fine or 3 months imprisonment, or both, but it makes the failure to comply with any requirement of the act equally a criminal offense. In other words, the act provides that the failure of any person to operate within the labor standards set out under section 1 would be a violation of the law, but the failure to conform to any of the stipulations which have been made by private contractors, the failure to conform to the requirements in applications for loans to pay the principal upon the violation of any of the labor standards of the act, would in themselves constitute a criminal violation of the act. The failure on the part of any person to put into effect and to immediately operate under the provisions of the law would constitute a violation of the act by a failure to conform to its requirements. That would be equally applicable to all voluntary agreements that have been made with the President by thousands of employers throughout the United States in every form of industry, particularly small industries which have not yet been codified.

In that connection there is a further provision which makes it unlawful, and therefore brings it within the criminal provision, for any employer who is subject to the provisions of the bill and who, on the date of application for a Government loan, shall directly or indirectly reduce any daily or weekly wage which is in existence at the time with reference to any employee, until a reasonable opportunity had been afforded for all the employees through representatives of their own, selected by a majority, to discuss and consider with the employer all questions arising out of any proposed reduction, in view of the reduction in hours of labor which the bill compels.

There are three exceptions to the operation of this act which, of course, is distinct from the original Black bill, which contains a number of exceptions, including perishable products, newspapers and periodicals, and certain forms of food. This bill excepts from its general operation only agricultural products for first sale in the hands of the original producer. And second, under section 1, it excepts from the operation of that section, on application to the Secretary of Labor, certain specific persons where upon application to the Secretary of Labor the employer may give satisfactory

proof that due to special conditions they are essential to the operation of the industry. Finally, by enumeration of the industries, there is exclusion of railroads, profession and domestic servants.

One of the first questions that arises, gentlemen, in connection with this bill, and one of serious importance to the bill itself, is whether or not the provisions of section 1 apply to municipalities and States or the Federal Government, or whether it applies only to the forms of employment which are enumerated in section 1. It is to be observed that, by the language of section 1, the prohibition against the introduction of commodities produced in violation of the terms of the act into interstate commerce, applies to mines, quarries, mills, canneries, workshops, all factories or manufacturing establishments "situated in the United States." It does not use the words "private establishments." It nowhere defines the term "employer" throughout the act. There is no means of determining from its context whether it applies to public as well as to private employment. But if it applies to any person who operates any one of the enumerated establishments "situated in the United States", it is fair to assume, since the Government is lending money in large sums to municipalities and to States and is itself engaged through public agencies in many forms of industrial operation, is employing persons engaged in acts of production, is operating manufacturing establishments, mills, and so forth, in connection therewith, it is quite possible that it is intended to apply to public employment to the extent that such public employment operates the kind of establishments enumerated in section 1.

If it does so, then, of course, any loans that can be made to manufacturing establishments which are conducted by the United States or by any local government become subject to the provisions of this act. If that is not true, and it does not apply either to the Federal Government or to local governments operating any of these establishments—and the committee will take notice that the Government is lending large sums of money to the municipalities and States for the purpose of assisting them in undertaking the establishment as well as the operation of the forms of production which would constitute a manufacturing establishment—I say, if the other alternative is not true and it does not apply to them, then there is a very arbitrary distinction between the limitations that are to be placed upon the six enumerated forms of private employment and other commercial establishments otherwise brought within the terms of the bill, and the Government itself.

The National and local governments employ nearly 3,000,000 persons. It would be an arbitrary discrimination if they are setting up a control and a regulation of hours of labor which they do not apply to themselves, although the law requires it of the six enumerated types of industry. The policy is of such a nature that it seems to me the terms of the act should apply equally to forms of public employment as well as private employment.

I am not dealing now with the general employees of either State or National Governments, I am calling your attention to those forms of employment which are within the operation of section 1, and in which the Federal Government, and more particularly the State and local governments which are receiving loans from the United States, are stimulated by those loans to become and are actually engaged at

the present time in the operation of what may well be considered manufacturing establishments.

You will observe further, Mr. Chairman, that no general exceptions appear in this bill. That any form of overtime is prohibited. That no employer can without penalty, no matter how many employees he may have, require or permit any single employee, except executives, general officers, and superintendents, and their immediate assistants, to be employed in excess of the standard provided in this act, without incurring all its penalties. The bill applies just as fully if 1 person is so employed although there may be 500 others, as though 50 or 500 were employed.

It is much more drastic than the Child Labor Act which was invalidated by the Supreme Court of the United States in 1922. That act applied to products to which the labor of the forbidden person had been applied within 30 days of their shipment in interstate commerce. Here the prohibition remains as long as the act is in operation, and the life of this act, according to its present terms, is 2 years. That means that not only such product may be prohibited from being introduced, shipped, delivered, or transported in interstate or foreign commerce; but it means, of course, that any carrier which receives it, whether by air, by water, by road, or by rail, equally violates the provisions of the act.

If any of the commodities or articles which have been produced under the forbidden conditions get into the hands of distributors or wholesale or retail merchants, they may not in turn ship them in interstate or foreign commerce or send them by mail, if the goods have not been produced under the conditions required under section 1. So, there is here the most complete prohibition that could be formulated against the introduction, the delivery, or the transportation in any form in interstate or foreign commerce of any goods which have been produced under the forbidden terms of the bill.

That limitation, you will observe, which is provided under penalty for these specified forms of production, will equally apply to all other industries operating under codes today—that is substantially all the industries in the United States, through the compulsory amendment of their codes.

Section 1 of this proposed bill is a regulation of commerce, which is accomplished by excluding from the commerce of the United States any commodity produced under the forbidden conditions, irrespective of the nature or inherent quality of that commodity. It may differ in no way from commodities which are produced in 31 or 32 or 40 hours. The act contains not only a positive prohibition against the introduction into commerce of the forbidden commodities, but a boycott by the Government of the United States against any goods produced in contravention of these terms, and a deprivation of the credit of the United States which may otherwise be afforded to other forms of employment.

You will take notice that the major loans that have been made are not being made to producing industries. They have been made to transportation industries, insurance companies which are the fiduciary trustees of vast funds of the people of the United States and their savings which they have accumulated to protect themselves and their families against the hazards of death or ill health or injury. So that, if this were a valid regulation of commerce by

its terms, it nevertheless would be a very arbitrary discrimination in the penalties which are provided in relation to the use of Government credit, as a means of enforcing the act.

Finally, you will observe that the bill by its terms and operating effect, limits under these drastic penalties, the earning power of the working people of the United States. It is not merely a limitation upon employers. It is a limitation upon all workers, since it restricts the credit of the contractors who are large employers of labor, and while the penalty operates upon the employer the restriction equally operates upon the employee.

Senator AUSTIN. Will you permit an interruption?

Mr. EMERY. Certainly.

Senator AUSTIN. Are you clear that the penalty would not operate upon the employee?

Mr. EMERY. It would operate upon the employee if he undertook to deliver in commerce or undertook to transport in commerce or undertook to introduce into commerce any commodity which has been produced under the forbidden conditions of section 1; since the criminal provisions of section 6 operate to make any person, whoever he may be, a violator of the act if he introduced into interstate commerce any commodity which has been produced under the forbidden conditions. To that extent a truck driver, an airplane operator, an express driver, or any other person who receives or transports or delivers in any form in interstate commerce any commodity produced within the forbidden terms would violate the act.

Senator AUSTIN. Let me ask you this: Assume that one of the prohibited articles was produced by the labor of a man who deliberately exceeded the 30-hour limitation, would not that man come under the penalties of the act? The penalty clause is rather broad.

Mr. EMERY. I think it is broad enough to sustain a proceeding against any person who violated any of its provisions or "fails to comply with any of its requirements." That is the language that has been used, and I call attention to the fact that the criminal features of the act operate not only against violators, but against those who fail to comply with its requirements. Any person who works more than the allotted time fails to comply with the requirements of the act. Of course, the element of deliberation or the intentional violation of the act would be a matter for determination by the body before whom the prosecution was brought.

There is no procedure provided in this bill; none whatever. There is no provision for its administration, no method of enforcement provided, except that this is a criminal act and presumably is to be enforced like any other criminal statute of the United States. It would, of course, obviously, require for its administration, a vast police force. There are something like 3,000,000 distributors in the United States. There are several hundred thousand forms of manufacturing. There is a vast network of transportation agencies. If this act were to be enforced every one of them would be required to be subjected to some form of policing. It would obviously require for that purpose a vast police or administrative agency.

It would likewise require new forms of administrative agency for the purpose of reorganizing and administering the codes under the changed conditions of operation, because the ultimate legal effect of the measure that is before you is to totally destroy all of the vol-

untary agreements that have been effectuated, either directly with the President through the so-called "reemployment agreements", which are voluntary agreements between the President and thousands of employers, and under which they are still operating, many small employers, because codes have not been provided for them and because the codifications have not been completed. Secondly, it would throw into confusion and chaos all the industries that are operating under codes compulsorily amended by the terms of the act, and will thrust the hours of labor provided by the act into voluntary agreements that have been reached between the President or his administrative officers and all the industries, 90 percent of which are now codified in 548 codes. It will force into them the hours of labor and the administrative requirements of this act. Yet, in contemplation of law, all these agreements have been voluntarily made with the President, through the authority delegated to him in title I of the National Industrial Recovery Act, and have been negotiated with the various industries through their representatives by the executive officers to whom the President has delegated so much of his authority as was essential for that purpose and have been finally approved by him and represent voluntary agreements arrived at between those industries and the President.

The difficulties of negotiation, the factual circumstances that have been required to be assembled in consideration of the proposals by the representatives of labor and of industry in the formulation of all these codes, all represent a vast undertaking. They will apply today to some 25,000,000 persons engaged in employment in codified industries.

Senator McCarran. Is it your judgment that these codes are here to stay?

Mr. Emery. Of course, by their terms, Senator, they are to expire on the 16th of June. They are either coterminous with the present act or are definitely terminated by the date fixed in the code itself.

Senator McCarran. But, as a matter of opinion on the part of the people generally and on the part of the public, do you think the benefits have been sufficient to warrant the belief that they are here to stay? In other words, it is a new scheme we are trying. I am wondering what your opinion is on the subject.

Mr. Emery. Well, of course, it is very difficult to give more than a general answer. It is difficult to answer such a general question, because the codes operate differently in different industries.

Senator McCarran. That is true.

Mr. Emery. There are codes that have been formulated with great care and with much study and negotiation. Others have been hastily put together, which has caused costly repentance at leisure. It is very difficult to make a general observation in respect to the codes themselves. Generally speaking, they have operated in accordance with the care given to them.

However, as a relief proposition, I want to call your attention to what this bill proposes to do. It proposed to say by the alleged regulations of commerce that every voluntary agreement in existence today shall be modified by the compulsory insertion in it of the limitations, without exception, except such as shall be made by the Secretary of Labor, with respect to the standards provided in section 1. That excepts certain persons from the operation of the act

upon satisfactory proof that there are special conditions that require their employment. There are no other exceptions. There is no provision for overtime. No man can earn more than he can gain in 30 hours. That is a restriction of the earning capacity of all engaged in employment in the United States to the amount that may be earned in the hours in which they are permitted to work.

Senator McCarran. I assume you have already discussed one question I have in mind. I had hoped I might get your view in regard to it. We have had some evidence before us that the effect of this bill would be disastrous from an economic standpoint. I suppose you have already discussed that.

Mr. Emery. No. I have not discussed the economic aspects. I thought you had such authoritative statements from competent professional authorities on that subject that I was more concerned about bringing to your attention the form and substance of this bill and especially the legal principles involved as it is presented to you, I have been discussing the form of the bill and the legal effect of its operation.

I want to address myself to the legal principles involved in the bill, whether or not the Congress possesses the power to do the thing which it here undertakes to do, irrespective of whether it would be a wise or an unwise thing to do it. I have been calling attention to the difference between this measure and the original Black bill, which was proposed in the Seventy-second Congress; and pointing out the drastic penalties and methods of enforcement that are here provided. The bill, as you know, enumerates six forms of operation and says they are prohibited from introduction of articles or commodities into interstate or foreign commerce unless produced under the conditions named in the bill, and prohibits every person from undertaking to either transport or deliver such commodities.

I have discussed the fact that these compulsory provisions with respect to regulation of hours are thrust into every code and agreement, not only those to be proposed in the future, but every code that has been submitted and approved in the past, so as to modify the existing conditions of all contracts that have been made under the authority of Congress by the President. These exceedingly severe and drastic penalties provided in the bill, further extend to depriving of Government credit the six types of industry mentioned in the bill under certain conditions, and the United States Government is prohibited from purchasing directly or through contract any commodities or articles which may be produced in violation of these provisions.

If I may, I want to bring to the committee's attention now the propositions that are involved in this type of regulation, which has at least three very distinct results. First, it undertakes to exclude from commerce and to penalize the introduction, shipment, or delivery in it of any commodity or article that is produced under the forbidden labor conditions; second, it undertakes to compulsorily introduce into all voluntary agreements that have been made between the President and the industries or individuals the labor provisions of this bill, and to penalize any person who does not conform to those requirements or who subsequently violates any provision of; and, third, it undertakes to abrogate the liberty of contract between

employer and employee, which we believe to be a distinct violation of the due process clause of the fifth amendment.

Much of the discussion that has accompanied this bill, and which accompanied the discussion in the Senate on the provisions of the so-called "oil bill", has proceeded in part on the theory that the right to engage in commerce between the States is conferred by Congress, or by the Constitution. That it may be restricted by Congress, and that the Congress may, if it pleases, exclude from introduction and transportation in commerce, foreign or domestic, any article it pleases without any reason therefor and irrespective of the nature of the article itself.

I beg to call to your attention the fact that the right to engage in interstate or foreign commerce is derived not from Congress, nor from the Constitution, but that it existed before the Constitution came into existence. It was recognized by it, and the authority to regulate it, within limits prescribed in the Constitution, was granted by the people and the States themselves; that the purpose of that grant was to preserve and promote intercourse between the States and between the people, which had been frustrated and prevented by the relation between the Colonies, from the surrender at Yorktown to the adoption of the Constitution, to such extent that it threatened civil war between the Colonies that had fought together for their own independence.

I call attention to the Articles of Confederation themselves, which preceded the adoption of the Constitution. The fourth article of confederation provided that:

> The better to secure and perpetuate mutual friendship and intercourse among the people of the different States of the Union, the free inhabitants of each of these States, paupers, vagabonds, and fugitives from justice excepted, shall be entitled to all privileges and immunities of free citizens in the several States; and the people of each State shall have ingress and egress to and from any other State, and shall enjoy therein all the privileges of trade and commerce, subject to the same duties, impositions, and restrictions as the inhabitants thereof, respectively; provided, that such restrictions shall not extend so far as to prevent the removal of property imported into any State to any other State, of which the owner is an inhabitant; provided, also, that no imposition, duties, or restrictions, shall be laid by any State on the property of the United States, or either of them.

The Articles of Confederation attempted to preserve intercourse between the States in behalf of all the citizens. It was the failure to enforce that right that led to the serious condition which developed when Washington and the Commissioners of Maryland met in the ancient parish house at Alexandia, and later at Annapolis, and finally to the convention which formulated the Constitution of the United States.

This was a critical period in American history in which the frictions between the Colonies became so acute that, because of the restrictions placed upon citizens by the various Colonies, one colony would levy an embargo against another. Thus, the Colony of Connecticut levied an embargo against New Jersey, New Jersey against New York, and New York against New Jersey, and bitterness between the Colonies became so great that they were on the verge of civil war. This is graphically described by Fisk in his "Critical Period of American History", in which he emphasized the seriousness of that situation.

Therefore, when we study the proceedings of the Constitutional Convention, it is easy to see the attention that was given to the assuring free intercourse between the Colonies themselves, and the recognition of the necessity for the protection of that intercourse and subjecting it to the regulation essential to its protection while preserving to the States through the tenth amendments complete control of their own local affairs; so that we have developed out of it a form of government by which upon the Congress of the United States certain enumerated powers were conferred, while the States reserved to themselves all the power not thus conferred, and exercised all authority not expressly prohibited by the State Constitution itself, in the exercise of authority that the people had not reserved to themselves, while the Federal Government exercised only such authority as had been specifically conferred upon it by the Constitution itself.

The first great case that came to the attention of the Supreme Court of the United States was *Gibbons* v. *Ogden*, (9 Wheat.) in which the Court said:

> In pursuing this inquiry at the bar, it has been said that the Constitution does not confer the right of intercourse between States, and states that right derives its source from those laws whose authority is acknowledged by civilized man throughout the world. This is true. The Constitution found it an existing right and gave to Congress the power to regulate it.

That goes distinctly to the proposition, and has been carried forward through a long line of cases holding that that is a fundamental right, the right of the citizen to engage in commerce between the States, and that right may not lightly be taken from them. In all the cases in which that has been restricted the commodities involved by their very nature were not articles of commerce, but were "outlaws of commerce", or, as the Court has described them, "contraband of commerce." In every one of these instances the article itself was in itself incapable of being an article of commerce by its very nature. An explosive is not properly an article of commerce unless safeguarded, and its transportation in commerce can properly be restricted.

I can think of no case before the Supreme Court of the United States, in which that fundamental proposition is involved, which has not upheld the rule protecting intercourse between the States and between the States and foreign nations, in the regulation of that commerce and of the means by which it is carried on. The courts have held that commerce can be protected by the exclusion of explosive or inflammable articles which threaten the very commerce itself. It has never been suggested until within recent years that any wholesome articles or commodities could be arbitrarily excluded from commerce by Congress. I will presently call attention to the cases in which that arose.

But let me distinguish first those cases which are directly in point with this proposition. I observed the other day the interesting discussion which took place in the Senate where various suggestions were made with respect to articles which had been prohibited from commerce, and the reason given was that was arbitrarily done by the Congress in the exercise of its power to exclude anything it pleased. There is no suggestion in any case before the courts of "arbitrary" exclusion, except one single instance, and that was a case which I observe was called to the attention of the Senate the other day

by the distinguished Senator from Texas (*Webber* v. *Freed*, 239 U. S. 325).

The statement was made that it involved the exclusion from "interstate commerce" of fight films.

As a matter of fact, that case does not involve the exclusion of anything from "interstate" commerce. In that particular case the statute forbade the introduction from a foreign country of fight films. Ever since the beginning of this form of government we have recognized the right of the Congress to deal differently with foreign and domestic commerce. Jefferson levied an embargo in 1808 against all forms of foreign commerce. The right of Congress to exclude, arbitrarly or otherwise, any article from any foreign country has never been questioned. The contrary rule has applied to commerce between the States.

In this case of *Webber* v. *Freed* (239 U. S., 325), when they undertook to bring these films into the harbor of New York, and undertook to secure an order against their exclusion, it was denied. The courts promptly upheld the authority of Congress to prohibit the importation of any article in foreign commerce, and declined to give any consideration to the matter at all.

A second class of cases in support of this proposition involves a prohibition of the shipment of wild game from various States, either by the act of the State itself in prohibiting its introduction into commerce, or by the Congress itself in prohibiting the shipment of such wild game when illegally killed in the State from which it was shipped.

The first great case involving that principle is found in re Geer (161 U. S.), opinion by Mr. Justice White, and the case of *LaCoste* (?) v. *Conservation Commission of Louisiana* (263 U. S.). In these cases certain regulations were adopted resting on recognition that the title to all wild game is lodged in the State in behalf of the people, and it could not be reduced to possession or removed upon such conditions as were fixed by the State. It was held that subject to such regulations it was proper for the State to prohibit killing or taking it out of the States, and the State could regulate the conditions under which it could be taken and possessed or be moved from point to point, either within the State or to some other State.

In the second class of cases it was asserted that, because a man was engaged in commerce, or intended to engage in commerce, or to produce for distribution in commerce, therefore his local operations were subject to control through the commerce clause because his major operations were commercial. I exclude those cases in which the movement of commerce and the control of it were so intermingled, in cases like the *Shreveport case*, where regulation of the article involved a local regulation.

These cases were illustrated perhaps best of all in the so-called "*Employers' Liability Case*." That was a case in 207 U. S., 463. That was, as you will remember, the first statute which Congress enacted fixing liability for injury to employees engaged in interstate commerce. It also regulated the intrastate relationship of employer and employee, so that there was an endeavor to apply its terms to employees who were in the service of the carrier, but were not engaged in interstate operations for the carrier.

When that case came to the Supreme Court of the United States the Government undertook to assert the proposition that, because the carrier was engaged by its major operations in interstate commerce, therefore all its local operations became subject to regulation as such. The Court, in replying to that argument, after stating it, said:

> It rests upon the conception that the Constitution destroyed that freedom of commerce which it was its purpose to preserve, since it treats the right to engage in interstate commerce as a privilege which cannot be availed of except upon such conditions as Congress may prescribe, even although the conditions otherwise would be beyond the power of Congress.

That goes right to the heart of the bill that is now before you, because here is an endeavor to regulate the relationship of employer and employee. By proposing to insert the provisions in the codes, it does so directly. In the six enumerated types of industry in section 1 it does so by prohibiting the shipment, transport or delivery in interstate commerce of any commodity or article not produced within the terms of the section. It is in itself a regulation not of commerce, but of production upon its face.

It has been said over and over again by the Supreme Court of the United States, not upon one occasion, but upon dozens of occasions, that the mining of coal, the mining of oil, the manufacture of goods, the construction of houses, are not "commerce", but are acts of production which cannot be regulated by the Congress under commerce power, that any endeavor to do so is an attempt to exercise a power which Congress does not possess.

And, as I will bring to your attention in a moment, instances of the exercise of that power under the guise of exercising other powers, as in the *Child Labor Taxation case*. There the endeavor was made under the guise of taxing the product to regulate the conditions of labor under which the parties affected by the statute may be employed. The court set aside the exercise of the taxing power as a plain endeavor to exercise one power under the guise of exercising another. It denied the use of the taxing power for that purpose, when upon the face of the act it was perfectly plain that what was being done was not the imposition of taxes for the purposes of raising revenue, but for the purpose of regulating the relationship between employer and employee in a local act of production. That was the case of *Bailey* v. *Drexel Furniture Company* (259 U. S. 47).

We have had a great variety of cases involving the taxing powers of the State, and involving the application of a Federal statute. For example, the liability of a carrier, for the purpose of determining whether an injury which was the subject matter of litigation, occurred in local or interstate commerce. This line of cases is well illustrated by the case of the *Delaware, Lackawanna & Western Railroad Company* v. *Yurkonis* (278 U. S., 439), where a man was engaged in shifting coal from a mine into a car destined for interstate commerce. The coal was about to enter into interstate commerce and be shipped out of the State. The court held that the man was not engaged in interstate commerce. He was a miner engaged in the mining of this coal and preparing it for shipment at the time. He undertook to recover under a Federal Compensation Act, and recovery was denied on the ground that he was not engaged in commerce, but mining, and that mining is not commerce.

McClusky v. *Merriville & Northern Railroad* (243 U. S., 96), is illustrative of a number of cases coming before the Supreme Court of the United States, under conditions similar to one of the preceding cases. In this case the endeavor was made to recover under a Federal Employees' Liability Act, on the ground that a lumber company operating a short railroad line to the Puget Sound in Washington State was engaged in interstate commerce, because the logs carried over its railroad were about to enter interstate commerce. Recovery was denied, on the ground that the company was not engaged in interstate commerce.

Then we have the case of *Coe* v. *Errol* (116 U. S.), in your neighboring State, Senator Austin, where a lumber man in New Hampshire was preparing his logs for shipment and floating them down the river, and the log raft was tied up at the town of Errol, and the town undertook to tax the logs. The collection of the tax was resisted, upon the ground that the owner of the logs was engaged in interstate commerce, as it was intended that the logs should later move in interstate commerce. The logger thus endeavored to defeat the power of the State to levy the tax, but the Supreme Court held that the logs were still in New Hampshire, had not become a part of commerce, and that the mere intention upon the part of the owner to transport them in interstate commerce did not relieve them of control by the State in which they were produced, and that the commerce power did not apply until they had been actually set in motion and become a part of commerce by being introduced into transportation.

Then, we have the case of *United Mine Workers of America* v. *Coronado Coal Co.* (269 U. S. 344), with a subsequent case of the same title in 269 U. S., although the parties were not the same parties and there was no relation between them.

In the first case there was a question involved as to whether or not a local union engaging in a strike and tying up the operation of a coal mine was, by obstructing the production of coal, engaged in restricting interstate commerce. The court said it was not; that a local strike of that character, although it incidentally reduced production, did not obstruct or interfere with interstate commerce.

The contrary view was taken in the second case, where you have a different set of facts, in which there was an international organization throughout the United States engaged in an effort to suppress production, it was claimed the combination prevented the production of coal and therefore prevented the shipment of such coal in interstate commerce. The court said:

> As long as there is restraint only on coal in that vicinity it has no relation to interstate commerce, because coal mining is not commerce. It is production, and a restriction of the production by the combination presented here, which is incidental to the exercise of their attempt to enforce their own rights and views with respect to their relation to their employer, does not involve restraint of commerce, this proceeding being brought under the Antitrust Act.

In *Anderson* v. *Ship Owners' Association* (272 U. S. 359), the court said:

> Neither the making of goods nor the mining of coal is commerce; and the fact that the things produced are afterwards shipped or used in interstate commerce, does not make their production a part of it.

United Leather Workers v. *Herkert* (265 U. S. 457), is an interesting case on this point, in which the opinion was written by Chief Justice Taft. There was a strike of leather workers in St. Louis. An endeavor was made to enjoin them on the ground that the strikers, by preventing the production of leather goods, were obstructing commerce in leather goods. The court pointed out that it was neither within the doctrine of "the flow of commerce", nor was it a case in which plainly the purpose and effect was to interfere with commerce itself. The court pointed out, as the court below had said in substance:

> If we were to hold that every combination to quit work to enforce the demands of a group of workers was an obstruction of commerce and was itself a restraint of commerce, the result would be that every strike in which men engaged that in any resulted in restriction of production would be a violation of the Antitrust Act.

The case of *Crescent Cotton Oil Co.* v. *Mississippi* (257 U. S. 129) is an interesting presentation of that principle. There a Tennessee Corporation was engaged in ginning cotton, and it moved the cottonseed to another State, where it crushed it for the purpose of producing cottonseed oil. When it endeavored to erect its gin in Mississippi it ran against the State law which fixed the size of the gin and required it to be in the same city or community in which the crushing process went on. So it was compelled to do its crushing there instead of shipping the seed to another mill where it desired to do the crushing.

That case went to the Supreme Court on the ground that the Mississippi statute was plainly an obstruction of commerce to prevent the movement of the separated seed to the point where it was to be crushed. The State undertook to sustain the act on the ground that the act of production against which it was directed was subject to regulation by the State, and that it was not engaged in interstate commerce. The Court sustained that view.

In *Hisler* v. *Thomas Colliery Co.* (260 U. S. 245) you will find a remarkable discussion of this whole doctrine to which I have been addressing myself and which very clearly epitomizes the entire philosophy of the distinction between local regulation of production and the regulation of intercourse between the States. The subject matter there was a tax levied on anthracite coal by the State of Pennsylvania when it was prepared for market and ready to be shipped. The coal company insisted that the levying of that tax at that time and under those conditions operated as an obstruction to the flow of commerce, since the coal was at the point at which it was about to enter commerce. The Supreme Court in an exhaustive examination laid down the principle that is found in the prior case of *Kidd* v. *Pearson* (128 U. S. 20), and upheld the tax on the ground that the coal was not in interstate commerce.

I call attention to that important case of *Kidd* v. *Pearson*, which illustrates the vital and fundamental distinction between the regulation of production and the regulation of commerce, preserving to the State the control of production and to Congress the control of the intercourse between the States.

In the *Thomas Colliery* case to which I referred, in Two hundred and sixty United States, the Court pointed out that the position there taken that the State could not levy that tax at any time before it had entered into interstate commerce could not be upheld, and that when it was ready to enter into commerce and at the point where it was about to enter it was the proper subject to tax.

In *Kidd* v. *Pearson* (128 U. S., 20), you will find 50 years ago a remarkably clear statement of the doctrine to which I have been addressing myself. In that case the State of Kansas had prohibited the manufacture of intoxicating beverages, including beer. A brewer in that State proceeded to manufacture beer for export in interstate commerce. It was expressly admitted that he had not sold and had no intention of selling his product in Kansas, where its sale was prohibited. He undertook to fight the prohibition against the making of it on the ground that Kansas could not prevent him from engaging in commerce between the States by producing an article to be sold in that commerce, which was not in the State of Kansas. The State contended it was exercising its police power within reasonable limits, and that in the case of the production of intoxicating beverages it was justified in preventing it, and that a citizen could not undertake to produce something for export. The Court said:

> No distinction is more popular in the common mind or more clearly expressed in economic and political literature than that between manufactures and commerce. Manufacture is transformation, the fashioning of raw materials into a change of form for use. The functions of commerce are different. The buying and selling and the transportation incidental thereto constitute commerce; and the regulation of commerce in the constitutional sense embraces the regulation at least of such transportation.

And the Court continues:

> If it be held that the term includes the regulation of all such manufactures as are intended to be the subject of commercial transactions in the future, it is impossible to deny that it will also include all productive industries that contemplate the same thing. The result would be that Congress would be invested, to the exclusion of the States, with the power to regulate, not only manufactures but also agriculture, horticulture, stock raising, domestic fisheries, mining—in short, every branch of human industry. For is there one of them that does not contemplate, more or less clearly, an interstate or foreign market? Does not the wheat grower of the Northwest and the cotton planter of the South, plant, cultivate, and harvest his crop with an eye on the prices at Liverpool, New York, and Chicago? The power being vested in Congress and denied to the States, it would follow as an inevitable result that the duty would devolve upon Congress to regulate all of these delicate, multiform, and vital interests—interests which in their nature are and must be local in all the details of their successful management.
>
> It is not necessary to enlarge on, but only to suggest the impracticability of such a scheme, when we regard the multitudinous affairs involved, and the almost infinite variety of their minute details.

Senator NEELY. It is now 12 o'clock. It will be necessary to suspend until 2:30.

(Whereupon, at noon, a recess was taken until 2:30 p. m.)

AFTERNOON SESSION

The committee reconvened at the expiration of the recess, 2:30 p. m.

Senator NEELY. Mr. Emery, you may proceed.

STATEMENT OF JAMES A. EMERY, GENERAL COUNSEL, NATIONAL ASSOCIATION OF MANUFACTURERS—Resumed

Mr. EMERY. Mr. Chairman, when the committee suspended this morning I was discussing the nature of the right to engage in interstate and foreign commerce.

Senator AUSTIN. Excuse me. Had you finished your list of cases?

Mr. EMERY. No; I am going to put in some more cases on this subject.

Senator AUSTIN. All right. When you get through I want to ask you about a line of cases.

Mr. EMERY. I had called your attention to the historical origin of the provision with respect to the regulation of commerce, the manner in which it developed, and the circumstances under which it was adopted, as well as the purpose for which it was plainly intended.

I then undertook to point out that production for commerce or the intention to ship it therein, does not authorize the regulation of the commodity by Congress or prevent control or taxation by the State of those engaged in its production.

I further called your attention to the fact that persons by engaging in commerce do not thereby submit their business in all its parts to the control of Congress for that reason, and I was discussing the proposition that manufacture, mining, construction, are not commerce but local operations, and the employment relations arising therein are exclusively reserved to the control of States under the tenth amendment.

I want to sum up by referring to a noted case decided by Mr. Justice Jackson, *In re Green* (52 Fed. 113), which has been frequently quoted with approval by the Supreme Court in a number of cases in connection with the regulation of commerce. It is notable for the direct way in which it sums up the doctrine. It states:

> When the commerce begins, it is determined, not by the character of the commodity nor by the intention of the owner to transfer it to another State for sale, nor by his preparation of it for transportation, but by its actual delivery to a common carrier for transportation, on the actual commencement of its transfer to another State.

The whole matter is well summed up in a single paragraph in Willoughby's work on the Constitution, page 774, in which he states:

> That interstate commerce is greatly affected by the conditions under which manufacturing is carried on, is, of course, true; and that the States, by regulation of manufacturing within their limits, whether by foreign or domestic corporations, may indirectly encourage or discourage the production of the commodities which are to furnish the articles of interstate commerce, is equally true. But this furnishes no argument for the doctrine that Congress may, for the promotion of interstate commerce, undertake the control of manufacturing within the States. For, in truth, it would not be difficult to show that interstate commerce is substantially affected by almost every element of the social, economic, and industrial life of the people—by the men who mine the coal which is used by interstate railways and steamships, by the persons who produce the material of which the cars and locomotives and ships are built, by the bankers and brokers who deal in the stocks and bonds of interstate carrier companies, and, in fact, by the operation of all who in any way deal with or handle the commodities which ultimately are transported outside the State. That commodities are manufactured with the intent that they are to be exported, in par or in whole, is absolutely immaterial, as determining the exclusiveness of State authority over their production (*Coe* v. *Erroll*, 116 U. S. 517). It is only when the States go beyond this and attempt to regulate or in any way restrain their exportation that they exceed their constitutional competence.

Then, in order to bring this matter up-to-date, I have before me here decisions of 13 courts of the United States involving operations under the N. I. R. A. which follow the line of authorities which I discussed this morning and which present to you the picture of the Federal district courts applying the principles which I enunciated between December 21, 1933, and December 21, 1934. There are here 13 cases which I ask permission to insert in the record rather than discuss each case separately, unless the committee would care to hear them.

Most of them are concerned with instances in which someone is alleged to have violated a regulation of production or service within the State; and an endeavor has been made to enforce that against someone who had not agreed to such provision or was not a party under the code, and an attempt was made to enforce it against him.

Senator AUSTIN. How does the court hold?

Mr. EMORY. These are all cases in which they have held that these are not within the commerce power of Congress. To illustrate, the first case is *Purvis* v. *Bazemore*, United States District Court, Southern District of Florida, December 2, 1933.

In that case the court held that a local industry engaged in the pressing, cleaning, and dyeing of clothes is not engaged in interstate commerce and Congress has no authority under the Constitution to regulate a purely intrastate business, either because of production or because the commerce is carried on entirely within the States.

In the case of *United States* v. *Suburban Motor Service Corporation*, United States District Court, Northern District of Illinois, February 10, 1934, it was held that a retail gasoline service station is not a common instrumentality of interstate commerce and the prohibition against giving premiums in the sale of petroleum products under the Petroleum Code is invalid as applied to a retailer operating in one State. The Government's application for an injunction was denied.

Every one of these is a case in which enforcement has been refused because the operation presented was not subject to the commercial power of Congress.

The Panama Refining Co., which was the subject of a decision by the Supreme Court of the United States the other day, originated in the case of the *Panama Refining Co.* v. *Ryan*, United States District Court, Eastern District of Texas, February 12, 1934. In this case the Court held that the regulation of the Secretary of the Interior under section 9 (c) of the N. I. R. A. was invalid. In the court below the case was decided on two points; one that it was an improper application of authority; and, secondly, oil production, like mining, is not interstate commerce and that the power of the Congress does not extend to the regulation of the production itself within the State.

Then in the case of the *United States* v. *Bob Lieto*, United States District Court, Northern District of Texas, February 16, 1934. In this case the court ruled that the wages and hours of an employee of a local gasoline service station are not subject to Federal regulation under the interstate commerce clause and therefore such an employer cannot be prosecuted for failing to comply with the provisions of the Petroleum Code.

Then comes the case of *Hart Coal Corporation* v. *Sparks*, United States District Court, Western District of Kentucky, May 19, 1934. This was an action to restrain the United States attorney from prosecuting the plaintiff for violating the minimum wage provisions of the Bituminous Coal Code. After citing the Supreme Court cases listed above the court granted a preliminary injunction. The court distinguished between the "stream of commerce" cases, such as *Stafford* v. *Wallace*, on the theory that those cases dealt with acts, instrumentalities, and agencies directly connected with and affecting interstate commerce and in no way involve manufacture or production. So the United States attorney was enjoined from prosecution.

Irma Hat Co. v. *Retail Code Authority*, United States District Court, Northern District of Illinois, July 31, 1934: In this case the plaintiff was engaged in selling millinery at retail. It sought to restrain enforcement of the code provision requiring the making of statistical reports and the use of the N. R. A. label. The court held that insofar as these provisions affected purely intrastate business they exceed the power of the Federal Government and are unconstitutional. The court further observed that "retail trade" is fully intrastate commerce and beyond the regulatory power of the Federal Government. A preliminary injunction was granted.

Then in *United States* v. *Gearhart*, United States District Court of Colorado, August 8, 1934: In this case the court ruled that the production and sale of coal within the borders of one State did not constitute interstate commerce merely because some of the purchasers came from other States to mine and purchase coal. The Government's application for a restraining order against violation of the minimum price provisions of the Coal Code was denied.

United States v. *Eason Oil Co.*, United States District Court, western district of Oklahoma, September 22, 1934: This was a bill to restrain the drilling of a new oil well in violation of regulations issued under the petroleum code. The court held that the production of oil or gas by the drilling of a well wholly within a State does not constitute an interference with or a burden upon interstate commerce and is, therefore, beyond the power of Congress. The restraining order was denied and the court held the regulations invalid under section 9(c) of the N. I. R. A., and held further that even though these regulations were authorized by the act, the act itself would be clearly unconstitutional.

United States v. *Kinnebrew Motor Co.*, United States District Court, western district of Oklahoma: November 12, 1934: This is a case on demurrer to an indictment charging a violation of the Motor Vehicle Retail Code regarding trade-in allowances. The court held that the sale or purchase of a second-hand automobile between two persons in the same State does not constitute, affect, or burden interstate commerce and the Motor Vehicle Retail Code attempting to regulate such a transaction is unconstitutional. The sale of automobiles at retail, the court held, is not interstate commerce and Congress has no authority to regulate such transactions. The demurrer to the indictment was sustained.

United States v. *Sutherland*, United States District Court, western district of Missouri, December 7, 1934: In this case the Government sought to restrain a retail lumber merchant from selling lumber below cost as prohibited in the Retail Lumber Code. The court refused the injunction on the ground that the defendant's sales were not interstate commerce and not subject to the regulatory power of Congress as attempted in the N. I. R. A.

United States v. *Rogles*, United States District Court, eastern district of Missouri, January 24, 1935: The Government sought to restrain the defendant from selling coal at prices less than the lowest cost determined under the Retail Solid Fuel Code. The injunction was denied and the court held that when a commodity is brought to its destination it is no longer property in interstate commerce and that even though the Recovery Act be construed to authorize price fixing, such regulations could not be effective in sales of commodities that had ceased to be a part of commerce over which the National Government has control.

Table Supply Stores, Inc., v. *Hawking*, United States District Court, Southern District of Florida, January 23, 1935: This action was for an injunction restraining the United States attorney from prosecuting a violation of the Recovery Act, as found by the regional compliance board. Plaintiff was a local merchant. The court held that plaintiff's business was not subject to regulation by Congress and granted the injunction.

The code violation alleged was that the plaintiff had failed to pay the minimum wages for overtime work as required in the code for the retail food and grocery trade.

United States Electric Coal Co. v. *Rice*, United States District Court, Eastern District of Illinois, December 21, 1934: In this case the relationship between the Recovery Act and the power of Congress to regulate interstate commerce became important in the court's consideration of the Norris-LaGuardia Act. The action was for an injunction restraining certain labor unions from interfering with the operation of plaintiff's coal mines. Before plaintiff could show that it was entitled to an injunction it was necessary to establish that every reasonable effort had been made to settle the dispute by negotiation or with the aid of any available governmental machinery of mediation or voluntary arbitration as required in the Norris-LaGuardia Act. To meet this requirement the company showed that the dispute had been submitted to the Bituminous Coal Labor Board established under the code for that industry. The court held that this proceeding did not satisfy the requirements of the act for the reason that the Bituminous Coal Labor Board—

> is wholly without power or jurisdiction to fix and declare legally enforceable rights between the plaintiff and its employees who are engaged in mining at the Freeburg Mine, which is an employment wholly intrastate in character.

I have called your attention to the fact that the Supreme Court has held over and over again that the various acts of production were not within the control of the commerce clause; and, on the other hand, that various State acts which undertook to tax commodities intended for or about to enter interstate commerce were entirely within the control of the State and were not subject to control in commerce, because they did not burden or obstruct or affect such commerce.

One of the latest cases on that is the *Champlin Refining Co.* v. *Corporation Commission of Oklahoma* (286 U. S. 235). That was a regulation in the extraction of oil for a State conservation commission for the purpose of preventing waste within the State. An attempt was made to show that the control of production would obstruct and prevent the conduct of interstate commerce in the oil if the production was prevented by the act of the State. The Supreme Court held that this was entirely within the authority of the State as a control over production to prevent waste.

Then, there is the case of *Edilman* v. *Boeing Air Transport Lines* (289 U. S. 249). A gas tax was applied by the State to gasoline which was held by the airport for use of airplanes engaged in interstate commerce. It was held there that the taking of the gas from the tank and the placing of it in the airplane at the airport was a wholly local transaction and was subject to the taxing power of the State in which the act took place, although the plane itself was used exclusively in interstate commerce. There have been attempts to show that because a person repaired a locomotive or a car in a railroad shop and the fact that the act of repair took place upon an instrumentality to be used in interstate commerce it was related to that act which affected interstate commerce itself. All of which had been denied by the courts.

I quoted these later cases to show you that the Supreme Court up to the very latest case never changed its views on these fundamental principles to which I have directed your attention.

One of the most interesting cases is the *Utah Power & Light Co.* v. *Pfost* (286 U. S. 165). There the State of Idaho had levied a tax on electrical energy, and it was opposed by the prospective taxpayer on the ground that the energy flowed from the State of Idaho into the State of Utah. That the levy of a tax on the electrical energy at that point was the levy of a tax on commerce in electrical energy which, of course, is as distinct a commodity as a hat or a coat or a shirt. The Supreme Court sustained the levy of the tax on the ground that the tax was levied at a point where the mechanical energy taken was transformed into electrical power, and this was an act of manufacture as much as the transportation of any other article, and the tax being a tax at the point was an act addressed to a manufacturing operation and was entirely within the power of the State.

Senator AUSTIN. That was a kilowatt tax, was it?

Mr. EMERY. Yes; this was a tax on the energy produced in the State of Utah at the point where the transformer was located.

Now I want to approach this last line of cases that apply directly to section 1 of this act.

Senator AUSTIN. Before leaving that particular point, I want to ask you if you have in your brief considered those cases that define the termination of commerce. I have in memory those cases which speak of the warehousing of goods that have been in transportation, a quite clean-cut severance of them from commerce, by transferring them into a warehouse, even though the warehouse is the property of the transportation company. Have you those cases?

Mr. EMERY. I think I have, sir. I will be glad to submit those cases. I would have looked them up at this point, but I did not think them so directly involved in legislation of this character.

Senator AUSTIN. Involved only on the definition of commerce?

Mr. EMERY. Yes, sir. Where the article has come to rest after transportation, even though it is intended to be further transported in commerce, aside from those cases like the *Swift case*, in which the flow of commerce doctrine is involved. The Court has held in a number of cases that the goods when coming out of interstate commerce and being located in a warehouse and intended for further transfer, they may be taxed at that point despite the intention of the owner to transport them further in some other direcion. *Federal Compress & Warehouse Co.* v. *McLean* (291 U. S., 17 (1934)); *Minnesota* v. *Blasius* (290 U. S., 1 (1933)); *Packer Corporation* v. *Utah* (285 U. S., 105); *Nashville R. R. Co.* v. *Wallace* (288 U. S. 49).

I want to approach now the questions that are specifically involved in section 1 of this act; that is, that the right to regulate commerce includes the right to exclude any article or commodity therefrom irrespective of its nature or to forbid its introduction into commerce except it be produced under such terms as Congress requires.

There are three cases on that which illustrate all the others, and they are the cases that have lead to probably the greatest amount of discussion with respect to the application of the principle, particularly, the first two; that is, the case of *Hammer* v. *Dagenhart* (247 U. S. 251), commonly known as the "Child labor case"; and, second, the "Child labor tax case", which immediately followed it, which is the case of *Bailey* v. *The Drexel Furniture Co.* (259 U. S. 20); also the case of *Hill* v. *Wallace* (259 U. S. 44), where the Congress levied a tax of 20 cents a bushel on grain which was the subject of future contract, and which in this case was levied on grain traded in on the Chicago Board of Trade. Certain members of the board of trade brought an action to test the validity of that act. It was held that it was under the guise of the taxing power an attempt to control transactions which were wholly local in their nature and which further violated the commerce clause in that it was an attempt to regulate as commerce contracts wholly local in their nature and completed in the locality in which they were made and in which no commerce transaction was itself involved.

However, the first two cases are of the greatest importance, because it is the so-called "Child labor case", the Dagenhart case, which is made the subject of continuous discussion, especially on the ground that it being a 4-to-5 decision, the four judges who joined in the dissent expressed by Mr. Justice Holmes sustained the proposition that Congress under the commerce power may regulate acts of production.

The committee will remember that in that case the Congress undertook to deny transportation in interstate and foreign commerce to goods produced by the labor of persons of a fixed age and working more than a certain number of hours or between certain hours of the day.

Mr. Justice Day, writing the opinion of the Court, in which he was joined by four of his colleagues, declared that it was an attempt upon the part of Congress to regulate acts of production wholly local in their nature and which were entirely outside the commerce power. It is notable for a remarkable discussion of the philosophy of the

commerce power in which the justice said (I quote from 241 U. S. 251):

> In other words, the power is one to control the means by which commerce is carried on, which is directly the contrary of the assumed right to forbid commerce from moving and thus destroying it as to particular commodities. But it is insisted that adjudged cases in this Court establish the doctrine that the power to regulate given to Congress incidentally includes the authority to prohibit the movement of ordinary commodities, and therefore that the subject is not open for discussion. The cases demonstrate the contrary. They rest upon the character of the particular subject dealt with and the fact that the scope of governmental authority, State or National, possessed over them is such that the authority to prohibit is to them but the power to regulate.

The four dissenting members of the Court did not dissent with the majority of the Court over the proposition that Congress, under the guise of regulating commerce, could not regulate the internal affairs of the State or the commerce wholly within the State. On that the Court was unanimous. That is made evident by the fact that the language of the dissent is as follows (Mr. Justice Holmes said (p. 277 of *Hammer* v. *Dagenhart*, U. S. 247)):

> The objection urged against the power is that the States have exclusive control over their methods of production and there Congress cannot meddle with them, and, taking the proposition in the sense of direct intermeddling, I agree to it and suppose that no one denies it.

Now, it could not be plainer that with respect to the attempt to control production within the State the dissenters entirely agreed with the majority opinion. What Mr. Justice Holmes did say, and the point upon which he and his associates dissented, was that he held that Congress could exclude any article from commerce and prohibit its introduction therein. But he changed his views on that subject, and he and his associates joined with Chief Justice Taft in the subsequent case of *Bailey* v. *Drexel Furniure Co.*, known as the "*Child Labor Tax case.*"

Senator AUSTIN. Where is that reported?

Mr. EMERY. 259 U. S., page 20. In the *Child Labor Tax case* a tax of 10 percent, in addition to all other taxes, was laid upon the identical forms of production resulting from the exact regulation of labor discussed in the *Dagenhart case*, Mr. Justice Taft in writing the opinion of the Court, in which there had been no change in membership between the two cases, declared that "the analogy" between the two cases "was clear", except that in the one case it was the commerce power that was involved and in the other case it was an alleged use of the taxing power which was employed for the purpose of undertaking to compel the production of goods in the manner desired by Congress and not for the purpose of raising revenue, and this appeared upon the face of the statute. I quote from the *Bailey case* the language which the Court employed:

> The analogy of the *Dangehart case* is clear. The congressional power over interstate commerce is, within its proper scope, just as complete and unlimited as the congressional power to tax, and the legislative motive in its exercise is just as free from judicial suspicion and inquiry. Yet when Congress threatened to stop interstate commerce in ordinary and necessary commodities, unobjectionable as subjects of transportation, and to deny to the same to the people of a State in order to coerce them into compliance with Congress' regulation of State's concerns, the Court said this was not in fact regulation of interstate, but rather that of State concerns and was invalid. So here the so-called

"tax" is a penalty to coerce people of a State to act as Congress wishes them to act in respect of a matter completely the business of a State government under the Federal Constitution.

So with that clear statement of the analogy between the two cases we find that three of the dissenting judges joined the majority of the Court in the acceptance of that clear-cut statement of the principle involved. The only dissent was by Mr. Justice Clark, who did not state the reasons in an opinion. So that you have here the principles very clearly laid down that distinguish between the attempt, either by the exercise of the commerce power or by the exercise of the taxing power, to do that which has been clearly inhibited. They both present instances in which one power is employed for the purpose of undertaking to do something which is expressly prohibited. The *Child Labor Tax case* draws additional authority from the fact that it represents not merely a criticism of the taxing power so used, but that the taxing power was exercised for the purpose of imposing a regulation where the commerce power itself had been denied exercise by the Court as a proper authority of Congress. So that whatever could be said with respect to the difference of opinion which existed in the first case, there is no doubt whatever of the fact that the Court reasserted the principle clearly and substantially without a difference of opinion in the second case.

When you examine all the cases in which the power of Congress has been employed to exclude an article from commerce, I think you will find clearly that the article itself is not a competent subject matter of commerce. It is not an article in which there can be commerce by its very nature or by the circumstances under which it is transported.

It is true that some of these cases go to the regulation or control or inhibition of articles that are bad in themselves or would impair legitimate commerce itself, as inflammable articles and explosives; but you will find that this line of cases involves diseased animals, explosives, inflammable articles, and articles which being misbranded represent fraud; and certainly no one could claim that anyone had the right to engage in fraudulent interstate commerce which would not be commerce at all.

It has prohibited the introduction into and the transportation of prostitutes or women for immoral purposes, and certainly no one could claim that there could be commerce in such things.

The same thing has been said with respect to intoxicating liquor, and their exclusion has rested on the peculiar character of the article itself. The same has been said with respect to stolen goods, because no one can have commerce in stolen goods, since he has no title to them. They are not his, and he is transporting something which he does not possess.

So that the doctrine which runs through all of these cases is that the article is by its inherent nature, whether it be rotten eggs or spoiled meat or a person transported for immoral purposes, the article itself is an outlaw or "contraband of commerce", as Mr. Justice Hughes called it during his first term on the Supreme Bench.

There is only one other class of cases to which attention should be given and which reasonably, I think, distinguish them. That is the so-called "commodity cases." The Hepburn Act, which was passed in 1906 and became effective in 1908, provided that a carrier could not transport goods which it had mined, manufactured, or produced. A case came up to the Supreme Court in the *Delaware, Lackawanna & Western Railroad Co.* v. *United States* (213 U. S.). There the Government contended that the inhibition of commodities was complete in that it expressly forbade that any article that had been produced or manufactured by a carrier could never be transported by the carrier and was permanently excluded from commerce.

The Court in presenting the unanimous decision by Mr. Justice White called attention to the fact that if it interpreted the act as the Government contended, it would be confronted with the necessity of controlling the production or mining or manufacturing of the articles owned by the carrier, or it would have to take the position that it permanently excluded a commodity from commerce harmless in its nature forever on account of the fact of its ownership.

Being confronted with these very grave constitutional questions, it considered the interpretation of the act in the manner in which could give it force and effect, but without raising these grave questions. It therefore held that no carrier could transport a commodity which it had mined or produced or manufactured until it had with bona fides parted with title to it and was no longer its owner, but it was not inhibited from the subsequent transportation of the article in the hands of other persons or the transportation by a corporation in which it held some stock.

So what really happened in those cases, and there is a second case relating to the same subject in 231 U. S. Under the title of Delaware Lackawanna & Western Railroad—I am not certain of the name of the case, but I will put it in the record with your permission—the only difference there was that in the first case there was involved the movement of the commodtiy from the place of production to the market, and the second case the contrary movement was at issue.

The Court pointed out there, as it did in the preceding case, that what was involved was the separation of the two functions with which the Court was confronted, that of a public transporter subject to regulation as an instrumentality of Congress and that of private producer. What Congress was undertaking to do was to divorce the two so that the advantage which would lie with the carrier in the transportation of its own goods and place it in a position to act with discrimination against other shippers in competition with it, would be taken from it by a regulation effective to protect the public interest.

So that those cases are clearly distinguishable from any other cases in which it can be said that a harmless article has been refused entry into interstate commerce. In the commodity case no article was refused entry into interstate commerce. No product or manufacture by the transporter was refused transportation in interstate commerce. The thing that was refused was transportation of the article in commerce by a common carrier engaged in any such commerce which had produced or mined it, and it was required to separate its ownership from the article before that took place. This was a regulation of the carrier, not a denial of commerce.

Those cases are thus clearly distinguishable from other cases and are not an authority for the suggestion that Congress has in those cases arbitrarily refused entry into commerce of articles which by

their nature are not inherently bad or are not susceptible of being articles of commerce.

Now, there is another principle involved here of equal importance, and that is that by the terms of not only section 1 but of section 4 not only are commodities denied interstate transportation; and the bill makes it an offense to transport or deliver them, whether in the hands of the original producer or others; but, as I called to your attention this morning, section 4 amends every existing agreement or code or license that has been or hereafter may be approved by the President by inserting in it the labor standards of section 1. It writes them without exception into all existing contracts which are presumtively voluntary in their nature.

The necessary effect of that is to severely limit and restrict the contractual power of both employer and employee. Severe penalty, the loss of business to the Government, the denial of Government credit and fine and imprisonment, all confront him; and, in many instances, confront employer and employee if either undertake to enter into a agreement by which work could be performed in excess of 30 hours per week or for more than 6 hours per day for 5 days during that week.

Apart from the question of the power of Congress to so regulate local employment relations as an incident to production in wholly local enterprises, which has been overwhelmingly denied for more than a hundred years by one decision after another of the Supreme Court, such arbitrary restriction of contract has been held to be a taking of property without due process of law, which is prohibited under both the fifth amendment operating against Congress and the fourteenth amendment operating against the States.

What has happened here is that the earning power of every citizen of the United States is limited to the amount that he may be permitted to earn within a fixed period of time. This assertion is made on the basis that an emergency exists that justifies the exercise of such power.

Of course, if the argument of emergency were made we would have to go back to the latest case that has been decided by the Supreme Court in that regard, which is the case of the *Home Building and Loan Association* v. *Blaisdell* (290 U. S.). That involved the validity of the Minnesota Moratorium Law. That was an act of State legislation, and the question before the court was whether or not it was within the police power of the State. In sustaining that exercise of authority the court held that the emergency and the circumstances which it arose justified a reasonable exercise of the police power of the State. However, the Court pointed out that an emergency does not create new powers, but may justify the exercise of a power already possessed by the special circumstance of its exercise, and the power passes with the emergency itself.

That is particularly illustrated by the rent cases in the District of Columbia, where it was held that the District of Columbia being set aside for the Federal Government and its employees being here to perform functions for the United States, their housing was a matter of the first consideration. That during the emergency circumstances of the war the Congress was justified in taking control of the housing situation in the District of Columbia to protect its

paramount interest in the proper functioning of the Government of the United States. (*Block* v. *Hersch*, 256 U. S. 135.)

While that was sustained as the extreme limit of authority in that case and during an extraordinary emergency, in the following case of *Chastleton* v. *Sinclair* (264 U. S. 543) Mr. Justice Holmes writing the opinion in that case pointed out that the mere assertion that an "emergency" existed did not settle the fact, and the Court would look behind the facts; and in this case it was quite probable that the emergency of war had passed, Mr. Justice Holmes said, with a touch of his familiar humor, probably the only vestige of emergency left was the high cost of living so they declined to sustain the alleged emergency power.

These were rent cases. The Court was dealing exclusively with the exercise of emergency power by a State body that was immediately in control and regulating the local circumstance, whether it was the State of New York under the police power or the Congress of the United States that was exercising its peculiar police power in the District of Columbia.

The only other case that came along of that nature was one case where the Congress of the United States wrote a wage contract for the carriers and their employees in the socalled *Adamson case.* This was a temporary contract to protect the paramount public interest in uninterrupted transportation by rail because the parties failed of agreement. There the Court was dealing with an instrumentality of commerce engaged wholly in interstate commerce. The power of Congress unquestionably extended to it because it was an instrumentality of Congress, and not only is the mechanical equipment of a railroad an instrumentality of interstate commerce, but every employee of a railroad engaged in interstate commerce, from the least to the president of the road, is equally as much an instrumentality of Congress as the locomotives and cars that operate on the rails. The employees are subject to the same regulation by Congress for sustaining the operation of such roads.

There is nothing new in that doctrine; but I call your attention to the fact that in the *Minnesota State case* (290 U. S., supra), in which the opinion was written by Mr. Justice Hughes, he said that:

> Emergency does not create power. Emergency does not increase granted power or remove or diminish the restrictions imposed upon power granted or reserved. The Constitution was adopted in a period of grave emergency. Its grants of power to the Federal Government and the limitations of the power of the States were determined in the light of emergency, and they are not altered by emergency. What power was thus granted and what limitations were thus imposed are questions which have always been, and always will be, the subject of close examination under our constitutional system.
>
> While emergency does not create power, emergency may furnish the occasion for the exercise of power.

Alluding there again to power already existing and the emergencies with which we may be said to be confronted by special circumstances which may justify an exercise of existing authority, no new authority is created nor can it transform the authority to regulate commerce by the Congress into an authority to regulate local acts of production and the relations which arise out of them.

In effect, the bill before you is equivalent to a constitutional amendment by which there is granted to the Congress of the United

States the power to regulate all acts of production, hours, wages, and other incidents of the relationship of employer and employee within production.

Senator NEELY. Mr. Emery, in your opinion, does enforced unemployment of at least 11,000,000 people constitute an emergency?

Mr. EMERY. I cannot conceive that it constitutes an emergency which changes the nature of the interstate commerce power.

Senator NEELY. Does it, in your opinion, constitute such an emergency as would justify the exercise of the powers to which you have referred and to which reference was made in the opinion that you read a moment ago?

Mr. EMERY. Yes, sir; it would justify the exercise of powers possessed by Congress under the unusual circumstances of emergency which probably could not be justified on any other action. That has been evidenced by the extraordinary things that have been done by the Congress of the United States, but to an extent which has never before been known in the history of the United States.

I want to point out that in the case of *Charles Wolff* v. *Kansas Court of Industrial Relations* (262 U. S. 522) and in *Dorchy* v. *Kansas* (264 U. S. 286) you will find an examination of the attempt upon the part of the State to exercise regulatory control over all the employment relations of employer and employee to the extent of undertaking to compel the arbitration of differences resulting from disputes over wages and hours to the extent of compelling them to actually abide by the decision of an industrial court erected in a State on the ground that the production of food and clothing was "affected with a public interest", and the State of Kansas was authorized to compel operation of mines or the production of food and clothing, if the parties could not agree to a contract. That was held to be a denial of the due process of law because it arbitrarily took from both of them the right to make their contract with each other.

Of course, this bill emasculates section 7-A now in operation within N. R. A. by compelling reorganization of the contractual relation of the parties as defined therein. That is the operating effect of the fifth section of this bill.

To sum it up, Mr. Chairman, apart entirely from the question of policy which is involved, the bill presents an endeavor to exercise the commerce power for the purpose of excluding from commerce all goods within six classes of employment specified where such goods are not produced under the conditions and restrictions declared in section 1 of the bill. Secondly, it undertakes to write into all existing contracts made under title 1 of the National Industrial Recovery Act a new provision limiting the contractual power of the parties without permitting them to make arrangement between themselves. It thrusts not only into the codes but into all voluntary agreements which the President has requested and which the President has negotiated through his officials and representatives over long periods of time with great difficulty, and which has brought together millions of people in a present employment relationship. This, a new term, thrust in all acts of production and service which those codes can reach but which are entirely outside the scope of the commerce power.

In that connection, I want to call your attention to the fact that when the child-labor amendment was pending in the House and the Senate, as the amendment was proposed the word "regulate" was used and the word "prohibit" was at first excluded. It was argued that the authority to regulate included the right to prohibit. There was elaborate discussion of that in the Senate and the House, and you will perceive that the word "prohibit" was thereafter written into that amendment.

Of course, the terms which control the commerce power is written in terms of regulation. But, as the Court says here, prohibition has never been employed by the Congress in the valid exercise of its power except where a prohibition itself within that valid exercise was but an exercise of the power to regulate the means by which that power was made operative to exclude things which in their very nature were not commerce or articles of commerce and could not be the subject of transactions in commerce.

Senator NEELY. Has the Supreme Court at any time decided that the power to regulate does or does not include the power to prohibit?

Mr. EMERY. To prohibit?

Senator NEELY. Yes, sir.

Mr. EMERY. It has sustained prohibitions in the cases to which I referred, but always on the ground that the subject matter which was excluded from commerce was not capable of being an article of commerce. It was excluded on account of its inherent nature, but never has it at any time excluded any ordinary or generally recognized customary article of commerce. On the contrary, it has suggested here and there throughout the course of its decisions that such an act would be arbitrary, and the attempt to exclude would be the act of arbitrary power on the part of Congress which would be prohibited by other provisions of the Constitution.

Senator AUSTIN. What do you say, Mr. Emery, with respect to the claim that unemployment may be so great in the country that it would affect the character of goods otherwise wholesome, produced under conditions in conflict with such conditions as are set forth in the bill, would affect such goods so that they would become not the subject of commerce?

Mr. EMERY. Well, with the utmost sympathy for all those who suffer under this distressing condition, it must be clear that those who are not employed cannot by that fact change the nature of the commodity which is produced by those who are employed.

Senator AUSTIN. That is assuming goods to be the proper subject of interstate commerce, no amount of unemployment could change that character and could render them not the subject of interstate commerce?

Mr. EMERY. I cannot see that. It cannot change their relationship or physical nature.

Senator AUSTIN. If they are a proper subject of interstate commerce, then would you say that no declaration by the Congress could change their character to render them not the subject of interstate commerce?

Mr. EMERY. No; I think it has been made clear again and again that the mere declaration of an emergency does not create an emergency. It must be sustained by the facts. Moreover, the effect of

the proposal itself on its face is to contract not to expand commerce. It is to limit the amount of production that may be engaged in rather than to increase the amount of production, if it were considered from that standpoint.

Senator AUSTIN. In your opinion, is it analogus to attempting by an act of Congress to make things that are perishable not perishable, or vice versa?

Mr. EMERY. Yes; it would have the effect of changing the thing by a declaration with respect to it. I have not discussed at all the questions of policy which are involved which I thought were fully covered by other witnesses.

STATEMENT OF GUY L. HARRINGTON, REPRESENTING NATIONAL PUBLISHERS ASSOCIATION, NEW YORK; ALSO INVESTMENT BUILDING, WASHINGTON, D. C.

Mr. HARRINGTON. I will first give a very brief outline of our interest in this matter and in this bill.

This testimony is presented on behalf and at the direction of the National Publishers Association, the membership of which comprises individuals and corporations owning approximately 200 of the leading periodicals or magazines of the United States, having a total combined circulation of approximately 50 millions of individual copies monthly.

These publications vary widely in the character of their contents. Included in the association's membership are general magazines, women, family, and fashion publications and educational, religious, business, and farm journals. All of them have a national circulation. Their pages reflect to a remarkable degree the desires, tastes, and social character of the country. Their circulations are peculiarly sensitive and quickly react to social and economic changes. In many ways they are closely associated with the Nation's welfare. Their success has and must continue to depend upon the ability of their editors and owners to interpret, reflect, and at times guide the thoughts and desires of millions of readers.

A portion of the members of the National Publishers Association own and operate the plants in which their magazines are printed and are consequently comparatively large direct employers of skilled labor. The remaining portion of its members indirectly contribute to the employment of large forces of labor in commercial printing plants with whom they contract for the production of their publications.

The publishing industry is unique in character inasmuch as it is engaged in producing a commodity and at the same time rendering a service to the manufacturers of other commodities. As a manufactured product distributed and sold, magazines are a commodity. They also provide a medium for the exploitation of products of thousands of national advertisers who purchase space within their pages for that purpose. Advertising also, like the circulation of magazines, is highly sensitive and quickly reacts in either increased or lessened volume to actual or threatened changes in economic conditions.

Accordingly, magazine publishers have a threefold interest in any measure which may affect the wage earners of the country.

They are interested in the welfare of the great consuming public, upon whom they must depend for circulation; they are interested in the welfare of their own employees, those engaged in producing their publications; and they are interested in the welfare of national advertisers, upon whom they depend for advertising patronage.

The bill under consideration, relating as it does to the regulation of one of man's most fundamental activities, the gaining of a livelihood, is of tremendous importance and far-reaching in its implications. It is not a proposal to be lightly considered. There seems to us to be too great a tendency in our present difficulties to adopt new methods, with little attempt to either appraise their value or measure the future.

As magazine publishers, with the welfare of all classes of the country's population in view, we have considered Senator Black's proposal as carefully as possible under the circumstances and after a study of the information available at this time. What we have to say will be briefly discussed under the following heads:

1. The immediate effect of a sudden change to a 30-hour-work week.
2. Practicability of a universal rigid work week.
3. Effect of a 30-hour week on production and employment.
4. Hour week necessary to sustain the Nation.

Conditions in the magazine-publishing industry that have a direct bearing on the measure under consideration are as follows:

There has been considerable increase in advertising volume during the last 2 years. Pay rolls and costs have increased in proportion. Many magazines are not showing profits, and some still continue to show losses. Advertising commitments are scheduled many months in advance at fixed rates. Subscriptions which constitute a large proportion of magazine circulation are in force on a yearly or 2-year basis. Circulations are guaranteed to advertisers; and if not maintained, advertisers are rebated. For these reasons magazine publishers cannot pass on increased costs to advertisers or readers. There are at present many employees in printing plants and magazine offices who could be eliminated if absolutely necessary. Similar conditions exist to a greater or lesser degree in other industries.

It is hardly necessary for me to say that any sudden or drastic general change in an important industrial function at any time causes confusion and is highly undersirable. Changes in the past in the length of the working week—13 percent from 1900 to 1929—have been so gradual as to allow for readjustments. Sudden changes set up maladjustments that may prove disastrous.

The immediate effect of this bill would be to suddenly increase costs to a point impossible of absorption. Many magazines would be placed on a losing basis, all unnecessary employees would be eliminated, and drastic attempts would be taken to speed up the output of those already employed. Those publishers who could not meet the increased cost would, if unable to negotiate loans, be forced into bankruptcy.

In the matter of loans, it is more difficult for magazine publishers to negotiate loans than any other line of business, because very few of its assets are in tangible form.

Senator NEELY. What are the daily or weekly average hours of service in the publishing industry?

Mr. HARRINGTON. The graphic arts code, under which we operate, has a 40-hour week. Some of the larger publishers at the present time, so far as their office organizations are concerned, are under a 37-hour week.

Senator NEELY. What were the weekly hours of service before the code was adopted?

Mr. HARRINGTON. There was no limit. It varied very widely throughout the country in different organizations.

Senator NEELY. What would have been a fair average?

Mr. HARRINGTON. I have not that information at hand.

Senator NEELY. Were the hours of service considerably lengthened or shortened by the adoption of the code?

Mr. HARRINGTON. The hours of service were somewhat shortened. You ask me that question. I will have to ask whether or not it applies to office hours or to hours in printing plants?

Senator NEELY. I mean to include in the question the general situation in the industry.

Mr. HARRINGTON. In printing operations the hours of service were 44 and 48 hours before the code was put into effect. That was shortened under the code to 40 hours. At the present moment, in the magazine and printing industry combined—I have no separate figures—the hours are 37.

Senator NEELY. So far as printers are concerned, the adoption of the code shortened the working week by at least 4 hours?

Mr. HARRINGTON. Yes.

Senator NEELY. Have you any idea how much the code shortened the working week for those engaged in other branches of the industries?

Mr. HARRINGTON. In some it shortened them very considerably, because many publishers were working 48 hours a week. The largest in New York were on 40 hours or less at the time the code was put into operation, but that did not apply to other cities than New York.

Senator NEELY. Would you say that on the average the working week was reduced as much as 5 or 6 hours by reason of the adoption of the code?

Mr. HARRINGTON. No.

Senator NEELY. Would it average 4 hours a week?

Mr. HARRINGTON. I have no statistics on that.

Senator NEELY. But you have no doubt that the adoption of the code did materially shorten the hours for all classes?

Mr. HARRINGTON. Yes; without any question.

Senator NEELY. How does the present prosperity of the publishing concerns compare with their prosperity during the years preceding the adoption of the code and the consequent shortening of the hours of service?

Mr. HARRINGTON. The periodical publishing industry has shown an improvement.

Senator NEELY. Then, the shortening of the working week by about 4 hours by the adoption of the code, if it had any effect on the prosperity of the industry, increased it instead of diminishing it; did it not?

Mr. HARRINGTON. I would not say that was the reason for increased prosperity.

Senator NEELY. At least it did not frustrate prosperity.

Mr. HARRINGTON. No; because we had an increase in the volume of advertising which I have already pointed out.

Senator NEELY. Do you not think that the increase in advertising might, to some extent, be attributed to the fact that as the result of the shortening of the working week idle persons were employed and provided purchasing power, and that in again shortening the week and providing additional employment the purchasing capacity might be still further increased?

Mr. HARRINGTON. Any improvement that may have taken place in either the publishing business or any other industry during the last year or last 2 years under the code, it would be impossible to attribute to any one thing. It would be impossible to attribute it to the codes, because there are many other factors that have entered into the situation, such as Government spending, which has unquestionably had its effect on the purchasing power of the public. Just how much of any increased prosperity we may have had is due to the code or the shortening of hours, if there has been any, or to something else, it is impossible to determine.

Senator NEELY. In spite of the fact that the Government expenditures during the last 2 or 3 years have been extraordinary, is it not true that those expenditures are almost insignificant, in comparison with the immense amount that has been spent by private industry?

Mr. HARRINGTON. No; I would not say they were small. The total income of the country at the present time is around 42 billion dollars.

Senator NEELY. What do you understand to have been the expenditures during the last year, by the Government, on public works, for instance?

Mr. HARRINGTON. Possibly this committee is more familiar with that than I am, but I would say 4 or 5 billion dollars.

Senator AUSTIN. Is it not nearer 15 billion dollars?

Mr. HARRINGTON. Oh, yes; in total. I am talking now about direct expenditures that would reach through the C. W. A. and C. C. C. and such organizations as those.

Senator AUSTIN. Yes; so am I; emergency expenditures.

Mr. HARRINGTON. Yes; emergency expenditures. So I would not say that they have been small in proportion to the total volume of business. The total volume of business in 1931 was something like 81 billion dollars, and it is estimated now that its lowest level is 42 billion dollars.

In addition to this, there would be an immediate decrease in advertising lineage due to the efforts of advertisers to meet the impact of suddenly increased labor costs, and the number of magazine pages would be decreased proportionately, resulting in less production for and less employment in printing plants and paper mills. In this manner the purpose of the 30-hour week proposal would by necessity in part be defeated. So far as the publishing industry is concerned, we cannot see any other possible effect of a sudden reduction in the work week to 30 hours.

Obviously, if a given amount of work is spread among too many men, the work will not yield sufficient to support them. The amount of work necessary to produce goods varies with the nature and cost

of materials worked, the kinds of machinery, if any, used, the nature of the operations, the amount of unproductive time entailed, and a hundred and one other conditions. It follows that the work required to yield a sustenance or a sustenance and a profit to workers must vary with the nature of the product.

This simple statement which is so axiomatic as to be beyond contradiction should be sufficient to establish the impracticability and great danger of arbitrarily fixing the hours of a universal work week.

In practice the length of work-week hours in different industries and various operations necessary to produce a sustenance and a profit have been established as a result of a study and years of experience. There are certain operations in some branches of printing that would be impossible of performance under a 30-hour week. In many operations in printing as well as in industry in general, a 30-hour week would entail a large percentage increase in unproductive time.

Impractical in principle, it is our opinion that a universal 30-hour week would prove still more impractical in administration. It is impossible for us meeting here to visualize its effects on the multitudinous interrelations and ramifications of industrial operations.

The idea to make the working week 30 hours may seem simple. Actually it is astonishingly complicated.

We may gain some enlightenment by noting what has happened in the administration of codes. Unsurmountable difficulties have been faced in administering the wage and labor provisions of codes. More than a year old, hundreds of problems have not yet been solved. Many can never be solved. The multiplicity of varying operations within industries and between industries has entailed so many exceptions that the N. R. A. is now snowed deep under so many thousands of office and executive orders as to make it impossible for many employers to learn what they should do, can do, or cannot do.

This bill, related as it is to the most controversial provisions of codes would in administration face still greater difficulties. There would be thousands of requests for exemptions and hearings to add to the present confusion and delay. Incidentally another great bureaucracy would be added to industry's present encumbrances to further burden already overburdened production.

Statistics relating to the effect on production of the shortened hours of the work week under the codes are not at all reassuring.

That seems to be the only source to which we as publishers—and we are keenly interested in this matter—can go to get statistics showing what the effect of a sudden reduction, or any reduction, in a work week would have on our industries, as well as those other industries in which we are interested.

While almost invariably at the beginning of code operations increased employment is recorded, output per man-hour in manufacturing industries has gradually and steadily declined under code operations. This decline from January to June 1934 was more than 5 percent.

The decline in man-hours per week from July 1933, to November 1934 was 13.4 percent. These are statistics taken from the United States Bureau of Labor reports. The average hours per week have

declined during that same period 19.4 percent. These are statistics relating to manufacturing industries.

Some industries experienced a very pronounced decline in production. The cotton textile industry showed from June 1933 to June 1934 a decrease of 41 percent in the average hours worked per week.

I would like to elaborate on that matter because I feel sure that your committee is keenly interested in the practical application of the proposal.

The policy of reducing hours tried with the President's Reemployment Agreement of July 1933 and the codes of fair competition that later preceded it. The records of experience under this policy are more complete in the case of manufacturing industries than in other fields of enterprise. The following table gives a summary of essential facts in July 1933 and November 1934, and shows the changes that have occurred.

Labor and prices, except when noted data are from the United States Bureau of Labor Statistics, November 1934

Manufacturing industries	July 1933	Data	Percent change from July 1933	
			Increase	Decrease
Number of wage earners (thousands)	5,991,000	6,435,000	7.4	
Total pay rolls (thousand dollars)	108,078,000	121,085,000	12.0	
Average hours per week	42.3	34.1		19.4
Man-hours per week (thousands)	253,398,000	219,434,000	4.5	
Prices: Finished manufactured products (index base, 1923-25=100)	72.2	79.3	9.8	
Cost of living (Index base, 1923=100)	75.2	80.8	7.4	
Real weekly earnings [1] (index base, 1923=100)	96.7	93.4		3.4

[1] National Industrial Conference Board.

The alarming item in that report is the decrease in man-hours of 13.4 percent during that period.

The only conclusion permissible under the circumstances is that forcing men into jobs by one method or another may for a time decrease unemployment but then begins the so-called " vicious cycle " of higher prices which the buying public are not willing to absorb, resulting in low consumption, lower real wages, and finally again more unemployment.

The maintenance of price levels of commodities at a point attractive to consumers is of paramount importance if recovery is to be completely accomplished. Any influence that raises prices to too high a level will freeze production and close the door to further permanent improvement in production or unemployment. We are of the opinion in view of available statistics that the 30-hour week would produce such a situation.

I would like to say this in all friendliness, we are definitely opposed to any additional legislation designed to correct economic conditions, unless it is supported by statistics indicating a probability of accomplishment. During the past 2 years the country has experienced too many failures at great expense to taxpayers, to warrant further unsubstantiated ventures of a similar character.

The stark cold fact facing us is that this Nation is not now self-sustaining. This is evidenced by a constantly increasing national debt. Production is our only source of income. From production must come sufficient to pay the cost of government, meet our debt obligations and supply the necessities of life.

How many hours per day or per week must we work to accomplish this? Can it be done on a 30-hour week? This in our opinion is the most important point involved in this bill.

A 30-hour week means a reduction of at least 40 percent, probably more, in our national production of the year 1929, which was then $665 per capita. Would this Nation be self-sustaining on a per capita production of $400 per year? Obviously it would not if present living standards were maintained.

If a 30-hour week were put in force, there is a certain group of labor who would never agree to an increase at any future time if circumstances warranted it; and if the Nation is not self-sustaining on a 30-hour week, that group of labor and wage earners would have to be in part carried by other groups.

There seems to be a growing impression that industry exists to support men. It can only exist by producing goods and through their production support men.

Permanent increased employment must come from one source—increased production. Any additional burdens on production such as increased costs, increased taxes, and higher price levels will further delay permanent reemployment. If the experience of the last 2 years has taught us anything it has been that there is no magic trick that will bring or magic road that will lead to recovery. Also that prosperity cannot be accomplished by legislation.

Harder work, more work, longer hours, not shorter hours, increased production, saving and thrift only will lead to prosperity. Thus and thus only may we meet our obligations and become self-sustaining.

The encouragement that there is an easy way out which the public are now receiving from many quarters is tremendously harmful and destructive.

Unless the people of this Nation realize this, democratic form of government in this country is in serious jeopardy.

(The following letter was received from Mr. James W. Hook, president the Geometric Tool Co., New Haven, Conn., and is copied into the record in full as follows:)

STATEMENT ON THIRTY-HOUR BILL (S. 87) BY JAMES W. HOOK, PRESIDENT, THE GEOMETRIC TOOL CO., NEW HAVEN, CONN.

FEBRUARY 11, 1935.

HON. M. M. NEELY,
Chairman Subcommittee on Thirty-Hour Week,
Washington, D. C.

DEAR SIR: I am opposed to Senate bill 87 known as the "Black or thirty-hour bill." My opposition is based upon what I foresee would be the effect upon my own business and thousands of others like it in the country. I also oppose the basic philosophy of the bill, believing that it would increase prices and check consumption, thereby decreasing production and opportunities for employment.

The bill is based on the false assumption that each unemployed person is a potential employee in any and all classes of work. It overlooks the character of the jobs that are available in the productive processes of the manufacturing industry in this country. It assumes that if I need a man to operate the specialized machines in my factory that all I have to do is to go to the relief committee in my town and get him. It ignores the variable abilities and limited skill of workers, also their desire and willingness to work. It shows an astonishing ignorance of factory personnel problems and modern methods of working to close limits in present-day metals and materials.

Let me point out specifically what I mean. The Geometric Tool Co., which I represent, manufactures metal-working tools to produce screw threads such as one sees on bolts, nuts, pipes, fittings and other threaded parts. Since the strength of assembled products and machines is dependent upon the means by which they are held together, the importance of the threaded parts in their assembly being strong and accurately made is at once apparent. Obviously, the tools used to produce these threaded parts to accurate limits must also be built to very close accuracy. This accuracy in some cases is measured in tenths of thousands of inches and minutes or arc. Workmen capable of turning out work to these limits obviously are not plentiful. Facts are, most of them, even now, are employed. They set the tempo of factory operation. The amount of goods that can be turned out by my plant or any one of the 100,000 durable goods plants in the country, is in definite proportion to the number of skilled and specialized workers on its pay roll.

The Geometric Tool Co., which is operating this month at about 50 percent of normal, is finding it next to impossible to properly man its shop and get out its orders under code hours. Men capable of manning its productive processes and operations are almost unfindable in New Haven. Man after man, claiming to be a machinist and even a toolmaker, applies at our plant and upon test is proved to be incapable of reading a micrometer or interpreting the simplest drawing. This in face of the fact that over 5,000 men are on New Haven's relief list. Under such conditions the suggestion that some have made, that our shop could recruit and operate two shifts, is fantastic and ridiculous.

It may be asked, what has become of the skilled and specialized workers? There seemed to be plenty of them in 1929.

The answer is easy to find. In 1929 the work week in the durable-goods industries ranged between 50 to 60 hours depending upon the industry. Today under codes it averages slightly above 40. Here at once is a reduction of 20 to 33⅓ percent in effective skilled worker effort. But this is not all. It takes time to make a skilled workman. In 1929 and before it required 4 years of apprenticeship to make a toolmaker. That was when the work week was much longer. Today on a proportionate basis it would take 20 to 33⅓ percent more time, or from 5 to 6 years. Since 1929 business has been so bad that apprenticeship courses have languished, so much so, in fact, that the losses of skilled workers by the normal processes of death, change in occupation, disability and old age, have not nearly been offset by new workers to take their places. Conservative estimates indicate that there are now available for employment in the durable-goods industries at least 30 percent fewer skilled workers than in 1929. Practically all of them are already attached to some pay roll.

With less emphasis on the time it takes to train them the same comment would apply to the better class of specialized workers who are highly skilled in a few rather than many operations.

I believe that chaos would follow if the work week were sudden reduced to 30 hours. I believe great hardship would be heaped on the specialized workers who back up the work of the skilled workers and the common laborers who stand still further down the scale if such a decree were forced on industry. I contend that such an imposition would result in the tasks of these supporting workers being doubled up wherever possible, or eliminated entirely by the substitution of less costly machine operations, with the result that many would be laid off. I assert that it would so thoroughly augment the shortage of skilled workers as to effectively stymie the few signs of recovery that are now beginning to appear in the durable-goods industries in which the major portion of the country's unemployment exists. Not only would a reduction in the working week reduce production by curtailing the effectiveness of skilled workers, but it would also encourage curtailment of buying by forcing up the prices of the lesser quantity of products these factories would produce. This would be followed by a demand for further reduction of hours, unless the proponents of such methods of increasing employment and hastening recovery had learned by that time that they were on the wrong track.

From what I have said I think it is not necessary to more than mention the extra shift idea that some believe would overcome the bad effects of suddenly shortening the work week. The extra shift solution is a fallacy. It makes no difference how many shifts a factory may want to run, its ability to do so depends upon its being able to man each shift with a proper proportion of skilled workers. But suppose, for sake of argument, that we eliminate the skilled worker factor. Would the extra shift idea be tenable even then? I think not. Business, with little regard for the rights of anyone, does not fluctuate so as to make an extra shift suddenly necessary or unnecessary. It goes up and down in irregular movements, requiring weeks and sometimes months for a definite trend to appear. If an individual unit of business was running full time on a 40-hour week and it was forced by law suddenly to cut its week to 30 hours, then the addition of an extra shift would require that the work-week for the individual worker be cut to 20 hours. If later that business crept up so that 65 hours of work per week were necessary it would mean the addition of a third shift and an adjustment of hours of individual workers back to slightly over 20 again. Would such adjustments be fair to employees? I think they would be not only unfair but positively unmoral.

As already indicated, the situation we would face in the Geometric Tool Co. is not confined to that factory alone. I can think of but few durable goods industries that do not require a certain percentage of skilled workers in their working forces. Some, of course, require a larger percentage than others. In the metal-working industry that employs in normal times approximately 1,000,000 wage earners, the percentage of skilled and specialized workers would not be less than 50 percent of the total. In our own factory the percentage is somewhat higher. Most of these workers are already employed. They were, in fact, never wholly dropped from pay rolls. They accepted menial tasks and shorter hours in the plants wherein they worked when their regular work languished. For this reason they are seldom to be found on relief rolls, or walking the streets in search of work.

I have made some calculations of the effect a sudden reduction of hours from 40 to 30 would have on the selling prices of my company's product. Taking the direct labor pay roll and actual production for last week as a base, I have found that with wages increasing 33⅓ percent as would be required under the proposed bill, selling prices would have to increase 15 percent to cover. This increase does not take into account any increase in cost of material that would certainly come, or the increase of salaries of office workers who would come within the purview of the fact. With these extra costs added we estimate that the selling price of our product would have to be advanced at least 20 percent immediately. Later and when prices all along the line had gone up as they certainly would, all salaries would have to be advanced until the needed increase in selling prices would approach the 33⅓ percent originally added to the direct labor pay roll.

I query you—what is there to be gained by increasing wages and at the same time increasing prices to offset them? The answer can only be a negative one; namely, a contraction of purchasing power of those with fixed incomes and of cash balances in checking accounts and savings banks, and equities in annuities and insurance policies. This, I contend, would retard, not encourage, recovery. It would widen the existing disparity between prices of agricultural products and manufactured goods. It would destroy purchasing power and lower the standard of living. Surely no one will say that such effects would serve to put people on pay rolls.

An enforced 30-hour week would require in our business, even under its present rate of operation, that we start begging at once to someone in Washington for the right to work our present force longer hours. Proponents of the measure will say that a kneeling pad for all finding themselves in the fix that we would be in is provided in the bill (S. 87) by the words in section 1: "That upon the submission of satisfactory proof of the existence of special conditions in any industry included herein, making it necessary for certain persons to be employed more than five days in any week or more than six hours in any day, the Secretary of Labor, or his duly selected representatives, may issue exemption permits with respect to such persons, relieving the employer from the provisions of this act with reference to such persons."

I grant that these words are there, but did the writer of them give thought to how their plain meaning would work out in actual practice? Suppose, as often happens, a burst of orders should descend upon our plant for delivery in time to enable the customers to make promised deliveries of their own product. This is a common experience in all durable goods industries. Coordination of delivery of goods between factories and suppliers is extremely important to keep the entire productive processes of the country going smoothly and continuously. Could we, in such a contingency, hope to get permission from Washington to increase hours soon enough to enable us to get the orders out on time? He who would answer "yes" to that question is not speaking from experience. But let's grant the bureau in Washington the benefit of the doubt. Let's say that a favorable reply came by return wire. Can you imagine the questioning that would follow in the way of letters, forms to fill out and even personal examination, if an unfriendly bureaucrat wanted to badger us to make us prove that our request was "simon pure" and justifiable?

The implication of such regulations from Washington, when multiplied by the thousands of plants in the country that would be constantly on the griddle in similar cases, is too terrible to contemplate.

Another thing which I oppose in the bill is the provision for invoking the power of the Government's purchases as a means of forcing compliance. It is a combination of bribe and boycott from which free Americans recoil. In my judgment, if a bill cannot be enforced by normal, punitive means, then it is not a good bill and has no place on the statute books. But for the Government to say that I may be on a "white list" if I do what it says in the matter of running my private business, or on a "black list" if I don't, is wrong and I hope the Congress will never countenance such a practice.

Respectfully submitted.

(Signed) James W. Hook,
President, The Geometric Tool Co., New Haven, Conn.

Senator Neely. The committee will now adjourn until tomorrow morning at 10:30 a. m.

(Thereupon, at 4:30 p. m., the committee adjourned until 10:30 a. m., Wednesday, Feb. 13, 1935.)

THIRTY-HOUR WORK WEEK

WEDNESDAY, FEBRUARY 13, 1935

United States Senate,
Subcommittee of the
Committee on the Judiciary,
Washington, D. C.

Pursuant to adjournment, the subcommittee reconvened in the committee room, Capitol, at 10:30 a. m., Senator M. M. Neely (chairman) presiding.

Senator Neely. The committee is ready to proceed.

STATEMENT OF M. H. REYMOND, BINGHAMTON, N. Y.

Mr. Reymond. My name is M. H. Reymond. I live in Binghamton, N. Y. My business is industrial engineering. I have done work for many well-known companies.

Senator Neely. For whom do you appear? That is more important.

Mr. Reymond. I am not appearing in behalf of any specially interested group.

Senator Neely. Are you here representing yourself, or somebody else?

Mr. Reymond. I have tried in my approach to this problem to maintain the point of view of the average citizen.

Senator Neely. I am not interested in that. Are you voluntarily appearing as a patriot, or are you representing somebody who is paying you for your opinions?

Mr. Reymond. I suppose the first definition, voluntarily as a patriot, would describe it.

Senator Neely. Then no one is paying you or paying your expenses?

Mr. Reymond. No.

Senator Neely. You may proceed.

Mr. Reymond. In connection with my work for many well-known companies, I have had occasion to observe the problem of unemployment in a wide variety of industrial enterprises at the point where unemployment actually develops. In that connection I have made a special study of the general problem of industrial depressions and employment for many years.

After I complete the brief statement I am about to make, I will be glad to answer any questions I am able to answer. I should also like, if I may be permitted, to answer a question asked the other day by you, Mr. Chairman, and also a question asked by Senator McCarran.

There is no question about the worthiness of the objectives of the present bill, namely, to relieve the existing unemployment and to improve the condition of workers in industry.

But it is unfortunate that many of the things that have been done during the past 5 years with the intention of helping labor have actually done the reverse. They have retarded recovery from unemployment. And they have retarded restoration of a proper standard of living to the average worker. For reasons I will give you, I submit that the present bill, if enacted into law, would further retard both recovery from unemployment and recovery in the standard of living of the average worker.

In the first place, I submit that the general economic theory behind this bill is erroneous. It is based on a lack of understanding of what causes unemployment. By this statement I do not intend any particular reflection upon the intelligence of the proponents of this bill, because the fact of the matter appears to be that there are not a great many people of any kind who as yet know what causes unemployment. Not only is this true of people in general; it is true of employers of labor. It is true of labor leaders, and it is true of professional economists, most of whom seem to be almost as confused in their thinking on this subject as the economically illiterate. Under these conditions it is no wonder that this problem has been mishandled. And yet the cause of unemployment is quite simple and understandable, as I will try now to demonstrate.

Let us begin at the point where unemployment develops. Here, let us say, is a factory owner, who has drastically contracted his business, thereby swelling the ranks of the unemployed. What caused this factory owner to thus partially or wholly close down his business? It is merely the fact that for the price at which he can sell his products he could not pay his wage and overhead costs. If he hadn't closed down his business voluntarily, sooner or later he would have been thrown into bankruptcy and his business would have been closed down for him by others. There are only two ways in which this factory owner can reexpand his business and reemploy his former workers. One is in the direction of raising the prices at which he can sell his product. The other is in the direction of lowering his wage and overhead costs. The price approach to this problem is beyond the control of the factory owner, being a national problem, involving all the complications and pitfalls of banking and currency. Thus far, our Government appears to know of no efficient method to control prices. On the wage and overhead approach this factory owner has been discouraged by our Government from the proper remedial action of reducing these costs. On the contrary, he has been more or less compelled to do just the opposite, by legislation similar to that which is now proposed in a more extreme form in the present bill.

To complete this picture of what causes unemployment, and of the misdirected efforts by which we have unnecessarily intensified and prolonged this problem while trying to cure it, a few further facts should be brought out.

One is the fact that the wiping out of the margin of profit between prices and costs began in 1929 with a rapid decline in prices in general, due to a complication of financial causes, which are irrelevant to the present bill and which it is unnecessary to go into at the present time. The thing of importance in the present connection is that the general price level did decline rapidly and that wage and overhead costs did not decline with equal rapidity. The inevitable result was the wiping out of profits, the contraction of business enterprises, and a growing army of unemployed workers.

This unemployment situation was made worse and more prolonged than it ordinarily would have been by the erroneous approach to this problem of our people and of our Government. Employers of labor were urged to keep wage rates at or near the 1929 level. They were urged to increase overhead expenditures by spending money on plant additions and improvements. And they were forced to further increase overhead costs to help to pay for expanded Government activities.

With a continued confusion of thought, some of the well-meaning people who led us into this course of conduct, upon beginning to realize that this was a wholly wrong approach to the problem, have tried to justify it by claiming that, while increased wages and overhead costs did tend to increase unemployment, the raising of such costs also would raise prices enough to more than counterbalance the evil effect of raising these costs in the first place. This is an excellent example of how, on economic questions, people argue themselves around circles into believing almost anything they want to believe, however untrue. The mere fact that, beginning in 1929, prices could decline more rapidly than costs, is proof positive that, in a period of declining prices, costs are not the controlling element in the situation, and that, therefore, it is futile to try to prevent a decline in prices by inflating costs. The principal result of inflating costs, under such circumstances is to close down more businesses and make the unemployment situation worse than it otherwise would have been.

An incidental result of this erroneous general policy of forcing higher wage and overhead costs upon all businesses has been to work an especial hardship upon the more humane companies, whose practice had been to continue the employment of aged and infirm and otherwise less-efficient employees at somewhat lower wages, as against the less-humane corporations that made a practice of keeping employees only during their years of maximum efficiency. In many instances, these more humane companies have been forced, in self-preservation, into abandoning these humane practices.

Another incidental result of this general policy of forcing higher wage and overhead costs upon all businesses has been to give an unfair advantage to some companies in a position to force up prices, at the expense of other companies in more competitive fields where prices were correspondingly lowered in consequence. This counterbalancing of artificially inflated prices in some industries by correspondingly depressed prices in other industries is an inevitable result of the fact that the general level of prices is determined by financial factors apart from costs.

It is believed worth-while to review a little more explicitly the history of our labor policies during the past 5 years. I submit that the theory of our people and of our Government in the years 1930 to 1932, of maintaining high wage and overhead costs in the face of declining prices, was an economic delusion. It was not only wrong in theory, as I have tried to show, but it also proved a failure

in practice, as should have been expected. I submit that the similar economic theory of the N. R. A. of 1933–34, of raising wage and overhead costs in a period of serious unemployment was a similar economic delusion. If any of you are still unconvinced that the N. R. A. actually aggravated the unemployment problem by retarding business recovery all you have to do is look at any of the well-known charts of business activity. I have here a New York Times chart illustrating this point. You will find a decided slump in business activity beginning about July 1933, when the first large-class wage raising and week-shortening drive was made. You will find a similar slump beginning about April 1934, when a second drive of this kind was made.

I submit that the present 30-hour week bill obviously involves a continuation and extension of the erroneous labor policies of the past 5 years. To the extent that this bill contemplates higher wages per hour, it would cause lower wages per week by forcing a further contraction of business enterprise, or, what amounts to the same thing, by preventing a normal reexpansion of business enterprise. To the extent that this bill may contemplate reducing hours without raising wages per hour, it would involve a lower standard of living, being in effect a bill for placing the entire burden of unemployment relief upon workers who now have jobs, which I am sure is not the intention. And, even if it so intended, this latter interpretation, involving no increase in wages per hour, would cause much waste and inefficiency, which would also mean higher costs and a contraction of business. I submit that no matter how it is interpreted, the present 30-hour week bill would actually retard recovery from unemployment and actually reduce the standard of living of labor.

So I submit that if Congress wants to do something helpful in the direction of labor legislation at the present time, it should be in the direction of trying to reduce wage and overhead costs rather than in the direction of further increasing these. I submit that even soundly conceived and ultimately desirable humanitarian benefits to labor should not be entered into at the present time if they involve any increase in wage or overhead costs, because such increases would have the effect of intensifying and prolonging the existing unemployment. I believe that our first concern should be to cure the existing unemployment, which requires either reducing costs, until these are again in balance with existing prices, or increasing prices until these are again in balance with existing costs.

Now, taking up your question of last Friday, Senator Neely, you brought up the point that a generation ago it was customary in industry to work 10 hours a day.

Senator Neely. Or more.

Mr. Reymond. Yes. At that time they were trying to reduce that to 8 hours a day, and at that time there were arguments presented that were very similar to the present arguments why that would be disastrous; that it would hurt the standard of living, would hurt business, would cause unemployment. After a period of years, however, we did actually shift over to an 8-hour day, and instead of the dire consequences that had been predicted the standard of living of labor was really higher than it had ever been under the 10-hour day, and the profits of industry were equally great. Industry was equally prosperous, even more so.

From that you asked the question as to whether, if we pass the present 6-hour day law as against the 8-hour day in practice today, we would not have a similar result. I will agree that if we give the market a sufficient period of years intervening between the 8-hour day and the 6-hour day, that would be the happy result. The only reason the shift from 10 to 8 hours did have the happy result mentioned was due to entirely different elements than anything you mentioned. It was due to what really is the most important element in this situation, and that is the fact that during that intervening time between the 10 and 8 hours we made many technological improvements which enabled a man to produce more in eight hours than he formerly could produce in 10 hours. That is what made that happy condition possible. The same would be true if we would permit the 8-hour day to gradually merge into a 6-hour day over a period of years.

But if you try to force that condition overnight or in a year or two, we will not get it. We will get a reduction in the standard of living from the 8-hour day, and if labor resists that low standard in connection with working 6 hours instead of 8 hours, the result will be, until labor suffers enough to accept that lower standard of living, industry will be stagnant, business will refuse to operate at a loss, and the present army of unemployment will continue with its present proportions.

Does that throw any light on that question?

Senator Neely. You are testifying.

Mr. Reymond. I wish Senator McCarran were here, because I am coming to his question.

Senator Neely. I assume from what you have said that you do not believe that the inventive genius of America today is equal to that of the past, or that there will be technological discoveries, inventions, and advancements in the future similar to those of the past?

Mr. Reymond. Quite the contrary, Senator. I believe it will be as great or greater.

Senator Neely. If that technological advancement to which you have referred absorbed the superfluity of labor occasioned by the shortening of hours in the past, is it not fair to assume that the greater technological advancement in the future will also absorb the superfluity of labor created by the shortening of hours again?

Mr. Reymond. Provided the technological advancement precedes the shortening of hours. If you attempt to put the cart before the horse and shorten or decrease the hours before this improvement has been sufficient, you will not get the desired result.

Senator Neely. How do you know that technological advancement represents the horse before the cart? May not the shortening of hours, the reemployment of millions of idle men, the increase of wages, and the consequent increase in purchasing power represent the horse and technological advancement represent the cart?

Mr. Reymond. I believe it stands to reason that before wealth can be enjoyed it must be created. You cannot set a standard of living beyond what we are creating and then attempt to catch up with it. It seems to me the logical procedure is to create the wealth first and then distribute it.

Senator Neely. Have you any plan for solving the problem of supplying work to 11 million unemployed?

Mr. REYMOND. Yes.

Senator NEELY. What is your plan?

Mr. REYMOND. As I mentioned, there are two general approaches to this problem, by either of which it could be solved. One is in the direction of reducing wages, and the other, which I believe is the better, is in the direction of restoring the general level of prices.

Senator NEELY. What is your plan for producing that happy result?

Mr. REYMOND. In order to answer that question I would have to take about half an hour or longer. I will be glad to do it, if you want me to go into it. It might not be directly relevant to the present bill, because it would take us into the realm of banking and currency.

Senator NEELY. Could you not indicate in less than 30 minutes what your plan is for solving that problem?

Mr. REYMOND. It would be difficult to do it intelligently. There is no plan that has been suggested that I can apply to it.

Senator NEELY. Is the plan you have in mind, if you really have one, similar to any plan that has been previously proposed

Mr. REYMOND. No, sir.

Senator NEELY. Have you ever reduced your plan to writing?

Mr. REYMOND. Yes, sir.

Senator NEELY. Is it embodied in the statement you have made?

Mr. REYMOND. No, sir. It is too long to embody it in such a paper. It would take at least 10 pages.

Senator NEELY. And you could not indicate in 10 minutes what that plan is?

Mr. REYMOND. The last paragraph of the statement I read, which I did not read, by the way, does give a small indication of it. I will read that, if you want me to.

Senator NEELY. I wish you would.

Mr. REYMOND [reading]:

In conclusion, I would like to mention the opinion that, since 1929, we have not only bungled the labor approach to the problem of unemployment by increasing instead of reducing costs; we have also bungled almost as badly the other general approach to this problem, the monetary approach of trying to restore and then stabilize the general price level.

Senator NEELY. You say that labor problems have been bungled since 1929?

Mr. REYMOND. That is my view.

Senator NEELY. In your opinion, was the labor situation generally satisfactory prior to 1929?

Mr. REYMOND. No, sir. Prior to 1929 we had a condition where the general level of prices was too high relative to existing wages and overhead costs. Or, to put it another way, existing wages and overhead costs were not high enough compared with the general price level. We had a condition which was the reverse of the present condition. It would have been healthy to force an increase in wages prior to 1929, but since 1929 it was not the proper thing to try to force an increase in wages. We had opposite conditions in the two periods. We had a boom condition in 1929 and prior, and we had a depressed condition since then.

Senator NEELY. Do you think that the increase in the compensation of labor in 1928 and 1929 was comparable to the joint increase in the cost of living and the value of securities listed on the various stock exchanges?

Mr. REYMOND. No. I believe that between 1923 and 1929 labor did not get what it was entitled to get.

Senator NEELY. But, you believe that since 1929 it has received more than it deserved?

Mr. REYMOND. Not so much labor as overhead. We have increased our overhead costs more than we have our labor costs.

Senator NEELY. What do you include in overhead?

Mr. REYMOND. Factory overhead, salary overhead, and government expenditures.

Senator NEELY. And government expenditures?

Mr. REYMOND. Yes. They all have to be paid for by industry.

We have wasted time, energy, and expense on monetary fallacies that were fore-doomed to inefficiency and failure. It would not be relevant to the present bill to go much into detail as to these monetary fallacies.

Senator NEELY. Do you refer particularly to the devaluation of the gold dollar?

Mr. REYMOND. That is one of them. There were a number of them. We were trying between 1929 and 1932 to raise prices by raising costs. You tried to raise prices by raising overhead and wage costs, and that is another similar fallacy, in my opinion.

In order to be fully constructive in my criticism, I would like to briefly outline what I believe would be an efficient monetary program. Personally, I believe this monetary approach is the more logical and the more practical. Inasmuch as the decline in prices was the thing that started the trouble, the more logical approach is to try to restore that condition that existed.

Senator NEELY. What caused the decline in prices?

Mr. REYMOND. A combination of circumstances caused principally by the fact that we were on the gold standard, and that governments and individuals all over the world took the notion to withhold gold or hoard it and withdraw it from the open markets of the world, thereby artificially inflating its value.

The rapid fall in general price levels which began in 1929 was due to our being on a gold standard, combined with the fact that governments and individuals all over the world took the notion to withdraw gold into hoarding, thus making it scarcer and more valuable in the open markets of the world, and thus causing our general price level to fall. At another time, perhaps not far distant, governments and individuals are likely to take the notion to dump gold hoardings, thus, if we are on a gold standard at the time, inflating prices and throwing us into another boom, aggravated by the credit manipulation that usually develop in periods of rising prices. That was the condition we had in 1929. My opinion is that so long as we try to use precious metal as a standard of value we will always suffer from periods of rapidly rising and falling prices and accompanying booms and depressions and unemployment.

Senator NEELY. Are you in favor of adopting some other standard of value?

Mr. REYMOND. Yes; I am coming to that.

I submit that the logical correction is to anchor the dollar to a representative cross section of all wealth, including both consumer goods and investment goods, say a total of 100 sensitive and liquid items selected in a strictly automatic manner. The whole process can be made substantially as mechanical and impersonal and independent of Government credit as the gold standard used to be, without the disadvantage of the gold standard of rapidly fluctuating in value.

Senator NEELY. What is your specific suggestion?

Mr. REYMOND. A representative cross section of all wealth, represented by the 100 items to which I referred.

Senator NEELY. What would represent that aggregate of 100 different commodities?

Mr. REYMOND. It would be represented by—may I finish this paragraph, and then I will go into that, because I touch upon that point.

As I said a moment ago, this whole process can be made substantially as mechanical and impersonal and independent of Government credit as the gold standard used to be, without the disadvantage of the gold standard of rapidly fluctuating in value. The details for carrying out this general plan have been carefully worked out. These involve a properly organized dollar stabilization corporation, that would be sound and liquid under all circumstances and that would involve a profit instead of an expense to the Government. It is impossible to go into these details in a brief outline of this kind. An effort will be made to do so in connection with other proposed legislation to which this plan is more closely related.

I will be glad to go into those details now, if you wish me to, particularly in connection with the question that you brought up. The general nature of this corporation would be——

Senator NEELY (interposing). That was not my question. What would represent our standard of value? What would we use instead of our metallic money?

Mr. REYMOND. We are going to have a dollar stabilization corporation with an investment of these 100 items I have mentioned.

Senator NEELY. But what will we carry in our pockets, if anything, as money?

Mr. REYMOND. That corporation will issue money backed by that wealth.

Senator NEELY. Will it be gold, silver, or paper?

Mr. REYMOND. It will correspond to the common stock which an investment trust issues.

Senator NEELY. Will it be a piece of paper, or metal?

Mr. REYMOND. It will be a piece of paper backed by this corporation.

Senator NEELY. That is what I have been trying to ascertain.

Mr. REYMOND. Yes. I want to bring out that this paper will be similar to that which is issued as common stock of an investment trust. It will not be fiat paper money. It will be backed by real wealth, just the same as common stock in an investment trust is backed by the real wealth of that trust. That is the distinction I intended to bring out.

Senator NEELY. Shall we go on an exclusive paper-money basis and discard gold, silver, copper, and nickel?

Mr. REYMOND. No. We will go on a standard which will be represented by these 100 items of real wealth.

Senator NEELY. What shall we do with silver and gold? Will they be important money factors?

Mr. REYMOND. No, sir. If we want a standard of value which is stable, we cannot use silver and gold as the basis.

In my opinion, it is impossible to have a stable standard of value on a gold and silver base, or any other precious metal.

Senator NEELY. But what shall we do with our gold and silver money?

Mr. REYMOND. That the Government now has in its vaults?

Senator NEELY. That the Government or the people have.

Mr. REYMOND. The people that own it, if they are speculating in it, if it means a loss to them, that is just too bad, if the public welfare demands a different program. Actually people in this country are not supposed to have any gold or silver, so it would not affect them.

Senator NEELY. There is no ground for the supposition that the people have no silver.

Mr. REYMOND. It seems to me, under the silver legislation of last year, the Government took over all the private holdings of silver.

Senator NEELY. You have some in your pocket.

Mr. REYMOND. Small change, but not to amount to anything.

Senator NEELY. Silver has not been outlawed, has it?

Mr. REYMOND. My impression is that silver is an outlawed commodity.

Senator AUSTIN. I am interested to know how much power you think this kind of money will have in China, for instance. I refer to China just because it is a foreign state.

Mr. REYMOND. It will have just as much power as the British pound, which is entirely disconnected from precious metals. Its value is determined otherwise.

Senator AUSTIN. Is it not a fact that precious metal has an intrinsic value in every country on earth that makes the people of the world adopt it as preferable to shells or other tokens of value?

Mr. REYMOND. Yes. It was far more convenient.

Senator AUSTIN. In other words, the power of gold as a medium for the payment of the debts of the world has heretofore been determined largely upon its intrinsic value, has it not?

Mr. REYMOND. Yes, sir.

Senator HATCH. I want to ask the witness if I understood him correctly at the beginning of his statement.

You said that since 1929 wages should have been reduced, and in 1933 and 1934 we were making a mistake by not reducing them further?

Mr. REYMOND. Yes, sir. Wages and overhead costs should have been reduced.

Senator HATCH. And you think even now they should still be reduced?

Mr. REYMOND. Yes, sir. I think that is the only way out of this situation.

Senator HATCH. To what extent could they be reduced?

Mr. REYMOND. To the same extent that prices have dropped, perhaps a little bit more, because we have added some costs we did not have before. We have to cover those.

Senator HATCH. If wages had been reduced in 1933 and 1934, if there had been a general reduction of the wage scale all over the country, we would be on our way out of the depression, would we?

Mr. REYMOND. We would be far further along than we are today. If we had reduced them enough, we would be out of it. That is the way we got out of past depressions. One reason why the present depression is so extensive is that we have done the wrong things. To have followed the old formula would have been the best thing, but we have not done that.

Senator HATCH. I suppose the same reasoning would apply to farm products?

Mr. REYMOND. Yes, sir.

Senator HATCH. They were not reduced quite enough?

Mr. REYMOND. That is the point I was going to cover in answering Senator McCarran's question. If you are through with this subject, I will be glad to go into that.

Senator HATCH. I will be glad to hear your explanation. Your statement about reducing wages and the price of commodities does not appeal to me as being a way out of it.

Mr. REYMOND. Of course, the farmer is affected by the drop in prices. The farmer, as a rule, is a business man. He is not in the position of a wage earner in a factory. Farming is a business industry. The farmer is in the same position as the factory owner. Unless we get the farmer's costs down in proportion to the drop in prices, he is in the same position as the factory owner.

Senator HATCH. I have personal knowledge that the prices received by the farmer have dropped far below anything in the history of the country.

Mr. REYMOND. There is no question about that.

Senator HATCH. Any further drop would be ruinous.

Mr. REYMOND. I am not recommending a drop.

Senator HATCH. I thought you were.

Mr. REYMOND. No. I recommended that there be a drop in the cost column, the same as I would for another business.

Senator HATCH. You wanted to answer a question asked by Senator McCarran?

Mr. REYMOND. Yes.

Senator NEELY. Before you do that may I ask you a question?

Mr. REYMOND. Yes.

Senator NEELY. By what percent do you think the wages of industrial workers should be reduced?

Mr. REYMOND. The present level of prices, I should say, is still some 20 percent below normal. I believe wage costs at the present time are rather closely comparable to the 1929 level, and in many principal industries they have been restored back to that point. I believe the reduction in wages would probably be about the same as the 20 percent that prices have dropped since 1929.

Senator NEELY. Then you favor a general decrease in wages of about 20 percent?

Mr. REYMOND. Not only wages. I would not make the poor wage earner stand the whole cost. I would want to reduce overhead costs. A good many corporations have artificially bolstered up their situation with foreign money and got through without bankruptcy, but a good many small corporations have not reduced their overhead costs.

Senator NEELY. But a 20-percent reduction in wages would constitute a part of your general plan for restoring prosperity?

Mr. REYMOND. It would help. I believe the amount of additional work which would be created by that plan would more than offset anything the wage earner would lose. He would earn more per week than he is earning today.

Senator NEELY. I believe it was Dr. Saxon, of Yale, who stated a day or two ago before this committee that the wages of the workers in the oil industry are $24 for more than a 50-hour week. Would you be in favor of reducing those wages 20 percent as a part of your scheme to restore prosperity?

Mr. REYMOND. You understand, I am not recommending an immediate reduction of wages and overhead as a solution. Let them alone to seek their natural level.

Senator NEELY. In other words, you would prefer to let nature take its course, as it did take it in 1930, 1931, and 1932, rather than pursue the course that has been followed by the present administration?

Mr. REYMOND. In preference to that program, which I believe is in the wrong direction.

Senator NEELY. Do you think that the country has suffered more since 1933 than it suffered during 1932 and 1933?

Mr. REYMOND. I would prefer to state that definitely and say that recovery has been partly retarded to a serious extent during that period. We have not made the progress in recovery that we would have made, except for these erroneous fallacies.

Senator NEELY Is is not a fact that for 3 years before the "new deal" legislation was enacted and the "new deal" policies began to operate, the industrial, the financial, and the economic affairs of this Nation constantly and persistently went from bad to worse?

Mr. REYMOND. Yes.

Senator NEELY. But you would have still continued to let nature take its course?

Mr. REYMOND. As I noted in starting out, our policy between 1930 and 1932 was just as erroneous as our policy from 1933 on. I believe we changed the name of the policies and gave them a new dress, but they were the same old policies.

Senator NEELY. You play no favors between the present and the preceding administration?

Mr. REYMOND. I think our Government has been actuated by substantially the same errors in both periods.

Senator NEELY. You do not believe that the country is more prosperous today than it was during the years 1930, 1931, and 1932?

Mr. REYMOND. Yes; I do. I believe that no matter how foolishly we have handled this problem, we would still have recovered through our natural forces, which move in the right direction even though we try to oppose them. I am very much afraid, if we carry these erroneous policies too far, we may get to a point where our people will do something positively foolish, something like some of the European countries have done.

Senator NEELY. To which European countries do you refer?

Mr. REYMOND. Germany, Italy, Russia, and others that have not gone quite so far, but they seem to be going in that direction.

Senator NEELY. Referring to Germany, do you have in mind her inflationary action or her establishment of a dictatorship?

Mr. REYMOND. Both. Of the two, I think the dictatorship was the more serious catastrophe, because it is harder to get out from under a condition of that kind.

Senator NEELY. Do you believe that we are approaching a dictatorship?

Mr. REYMOND. I believe if we continue to aggrevate this unemployment problem, instead of helping it—and we have not made much progress within the last 2 years—we are in danger of drifting into that kind of a condition. Our people may turn to anything which promises something different.

Senator NEELY. Do you believe there is as much unemployment now as there was in February 1933?

Mr. REYMOND. I am under that impression. I may be wrong.

Senator NEELY. Would it be fair to say that you think practically all of the " new deal " legislation has been injurious?

Mr. REYMOND. Not all of it. That could hardly be true of any program of legislation.

Senator NEELY. What part of it do you think has been injurious to the country?

Mr. REYMOND. The wage and overhead policy, the attempt to bolster up sales and inflated prices, the public-works program.

Senator NEELY. The Agricultural Adjustment Administration?

Mr. REYMOND. I am inclined to believe that, as a temporary measure, agriculture is suffering more severely than other industries, and it was entitled to all the relief possible.

Senator NEELY. That is one item of the recovery program that you approve?

Mr. REYMOND. As a relief proposition, not as a recovery proposition. It does not help recovery.

Senator NEELY. When millions are in dire distress from long-continued unemployment, do you not think that relief should come first?

Mr. REYMOND. It is absolutely essential. There is no doubt about that.

Senator HATCH. You just made a statement with which I do not agree, and I do not believe you do, when you said the aid to agriculture, which you approved, was not an aid toward recovery. More than one-third of our population is engaged in agriculture. If those people were relieved and they were able to go into the markets and buy things, as they had been, is not that a help toward general recovery?

Mr. REYMOND. Whatever aid has been given to agriculture has come from taxation upon other sections of the population. Whatever recovery you have given to agriculture has been at the expense of a part of our population somewhere else.

Senator HATCH. Then you still say recovery of agriculture is not due to the general recovery program?

Mr. REYMOND. That is my belief.

Senator NEELY. Does not the solution which you have proposed involve the precise principle that you have been criticizing? I refer to your recommendation that we decrease wages approximately 20 percent. Your proposal suggests that labor pay the recovery bill.

Mr. REYMOND. Yes; but there are some kinds of expenditures which are an absolute loss, which are not of benefit to anybody. One of those is the waste of having 11,000,000 people or more idle who want to work. That kind of expense is irretrievably lost. It is taken from one section of the population and given to another. It is wasted. Anything that will relieve that kind of condition is preferable to permitting it to continue, and would be a real contribution to the standard of living of the country.

Senator McCarran brought up the question as to why it was that so many of these plans to help industry by introducing new costs, such as, for example, increasing the processing costs of Armour & Co. under the N. R. A., why that added processing cost should not be absorbed by Armour & Co.; that is, should not be passed on to the consumer, but presumably should be passed on to the poor cattle raisers and the other producers of livestock.

There is a very good reason why that should be the condition. If you pass this 30-hour bill and try to pass the burden to Armour & Co., the added cost is far greater than the amount of profit they are making. They cannot absorb it, and if you try to force it down their throats they will contract their business perhaps 50 percent and confine themselves to more profitable lines, and will throw half of their employees out of work, and aggravate the unemployment situation.

If it cannot be absorbed by Armour & Co., the next question is why it cannot be passed on to the consumer. There is a good reason why it cannot. The price which the consumer pays is a part of the general level of prices, which is not controlled by the cost of production. Proof of that is available when you recall that back in the beginning of 1929 the general level of prices actually did fall more rapidly than costs. If costs had been the controlling element, it would have been impossible for prices to fall faster than cost. Therefore, the price the consumer pays being controlled by financial elements which have nothing to do with costs, except from a very nominal standpoint, it is impossible to pass that processing cost on to the consumer. The only one left to pay those costs is the producer, the poor cattle raiser or farmer. To a large extent that is what has happened. If this 30-hour bill is passed, I submit that you will have a repetition of that result and the farmer will bear the principal burden.

Senator NEELY. Is that all?

Mr. REYMOND. Yes, sir.

Senator NEELY. Mr. Reymond, you spoke of having performed services for various companies. Who are some of your principal clients?

Mr. REYMOND. I have done work for companies like Endicott-Johnson, Eastman Kodak Co.

Senator NEELY. The Endicott-Johnson Shoe Co.?

Mr. REYMOND. Yes.

Senator NEELY. That company does not share your views regarding labor?

Mr. REYMOND. No. I am not here representing the views of any company. My experience is that company managers are just as much confused on this subject as any one, and perhaps more so.

Senator NEELY. Has not the Endicott-Johnson Co. been one of the leading exponents of shorter hours and higher standards of living for its employees?

Mr. REYMOND. Yes. It has to a large extent shared in that, but it appears to me to be a fallacy.

Senator NEELY. The Endicott-Johnson Co. has been very successful, has it not? Throughout the depression it paid dividends on both its common and preferred stock?

Mr. REYMOND. Yes.

Senator NEELY. And it has created almost a Utopia for its labor?

Mr. REYMOND. Yes.

Senator NEELY. And its humanitarian policies have brought extraordinary success to the company and unusual happiness to its employees.

Mr. REYMOND. Due, I would say, to other conditions; due to efficient management in other ways. Mr. Johnston is an unusually capable labor leader as well as business leader. He has the cooperation of his workers, which other shoe manufacturers do not have.

Senator NEELY. Do you think that any important official of the Endicott-Johnson Co. would support the views which you have expressed here today?

Mr. REYMOND. I believe if it were thoroughly explained to them, they would. I see where Mr. Johnson is beginning to be opposed to some of the new burdens which they are trying to put on the shoe industry, on his business in particular. He is beginning to realize that is going to do more harm than good.

Senator NEELY. Who are some of your other clients?

Mr. REYMOND. I have also done work for General Motors and the Western Electric.

Senator NEELY. General Motors would doubtless concur in what you have said.

Mr. REYMOND. They are very much more likely to. They have differed a little. Nobody has exactly the same views.

Senator NEELY. Did any officer of General Motors or anyone representing it suggest that you come here and testify?

Mr. REYMOND. No.

Senator NEELY. That is all.

STATEMENT OF HARVEY J. KELLY, REPRESENTING THE AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION

Senator NEELY. You may proceed.

Mr. KELLY. My name is Harvey J. Kelly. I am chairman of the special standing committee of the American Newspaper Publishers' Association, an organization having in its membership more than 400 publishers of daily newspapers throughout the United States. The newspapers range from some of the smallest to the largest in the country.

The special standing committee of three members deals with industrial relations problems in the newspaper-publishing industry, and, together with three officers of the concerned International Union, comprise what is known as the "International Arbitration Board", when that board convenes to review cases appealed to it. This board sometimes is spoken of as the supreme court of industrial relations

in the newspaper-publishing business. It has functioned for more than 34 years. Its files contain a vast amount of statistics and precedent, which express the practical experience and the combined judgment of the representatives of the employers and the representatives of the employees.

I am appearing before you concerning the provisions of Senate bill no. 87.

I am not here for the purpose of asking any special favors for newspaper publishers or for newspapers, but solely to lay before your committee the facts respecting the newspaper publishing industry and production requirements peculiar to it, in order that when you determine upon your policy, your determination shall be reached in the light of all of the facts and not in the light of a part of them only.

I will prove to you with authoritative statistics:

1. That there is no abnormal unemployment in the daily newspaper-publishing business.

2. That the newspaper-publishing business does not "scrap" men at 40. In no industry will you find a greater percentage of workers from 60 years upward in age drawing the journeyman scale of wages.

3. That indexes of newspaper pay rolls and average hourly money earnings of all wage earners in the business top the list of all industries.

I will describe very briefly and in general the making of a newspaper, the departments and employees thereof, the general industrial relations policy, contracts and agreements between the newspaper publishers and local unions, and between the A. N. P. A. and international unions, together with production requirements and limitations peculiar to daily newspapers. Likewise, I will comment specifically upon certain portions of Senate bill 87, which purport to provide flexibility, but which, so far as concerns practical applications, are meaningless.

I believe that when I have finished my testimony it will be clearly apparent to you why daily newspapers could not function under the provisions of Senate bill 87, as drafted.

If, after consideration of our evidence, the committee believes otherwise, this document constitutes also a request for a bill of particulars setting forth authoritative answers to the questions which are a part of this brief. These and others would immediately become pressing were Senate bill 87 to become applicable to newspapers.

To conserve time and present my testimony in a manner which makes for easy reference in the record, I will designate subtitles, commencing with employment and pay rolls.

As I understand it, Senate bill 87 contemplates relief, through Federal legislation, of unemployment in the respective industries.

I am speaking for a business which throughout this depression has maintained exceptionally high-average employee earnings and volume of employment, compared with normal times—an industry, if you please, whose employment index, as shown by the United States Bureau of Labor Statistics, was for the hazardous year of 1933, 99.1 percent of 1926 employment, as compared with an average of 64.5 percent for all industry.

Senator AUSTIN. On what year is that based?

Mr. KELLY. I am speaking now of 1926. The Bureau of Labor Statistics has changed its base, as I will point out later.

The indexes of newspaper and periodical pay rolls reveal an extraordinary level when placed in comparison with other industries—the average for 1933 being 80.8 percent of 1926 pay rolls. This compares with but 43.9-percent pay roll for all industries.

The foregoing figures may be verified by examining the employment and pay-roll indexes published in the Monthly Labor Review, wherein it will be noted that as of March 1934 the United States Bureau of Labor Statistics changed its method of calculating payroll and employment data. (See p. 1209, May 1934, Labor Review.) Instead of 1926 being continued as the base year, the Bureau adopted average employment and average pay rolls of 1923–25, inclusive, as the base, or 100. Consequently we present all of the data available since the change in base years was announced.

Senator AUSTIN. When was that announced?

Mr. KELLY. That was announced in the May 1934 Labor Review, page 1209.

In the following tables we show how greatly the newspaper-publishing industry employment and pay rolls continue to exceed that of other industries.

TABLE A.—*Comparing indexes of employment and pay rolls in all industry with those for the newspaper and periodical publishing industry*

[Source of data: U. S. Bureau of Labor Statistics, as per Monthly Labor Review. Average, 1923–25=100]

1934	All manufacturing employment	Industries' pay rolls	Newspapers' employment	Periodical pay rolls
March	80.8	64.8	98.2	85.7
April	82.3	67.3	99.0	87.3
May	82.4	67.1	99.1	88.4
June	81.0	64.8	98.8	87.5
July	78.7	60.5	96.8	84.8
August	79.5	62.2	96.6	84.9
September	75.8	58.0	98.5	88.2
October	78.3	61.0	99.2	89.9
November	76.8	59.5	99.8	90.4
December	78.1	63.2	100.4	94.2

As you can see, this table A shows all of the index numbers of employment and pay rolls for industry generally and for the newspaper and periodical publishing business from March to December, inclusive. I invite particular attention to the fact that newspaper employment as of December 1934 was 100.4, or the 1923–24 average, as compared with 78.1 for all industries. Pay rolls were 94.2, as compared with only 63.2 for all industries. In other words, the drop is only 95 percent below the average of 1923–25 in our business, and in pay rolls as low as 22.6 percent, as compared with a much greater percent for all industry.

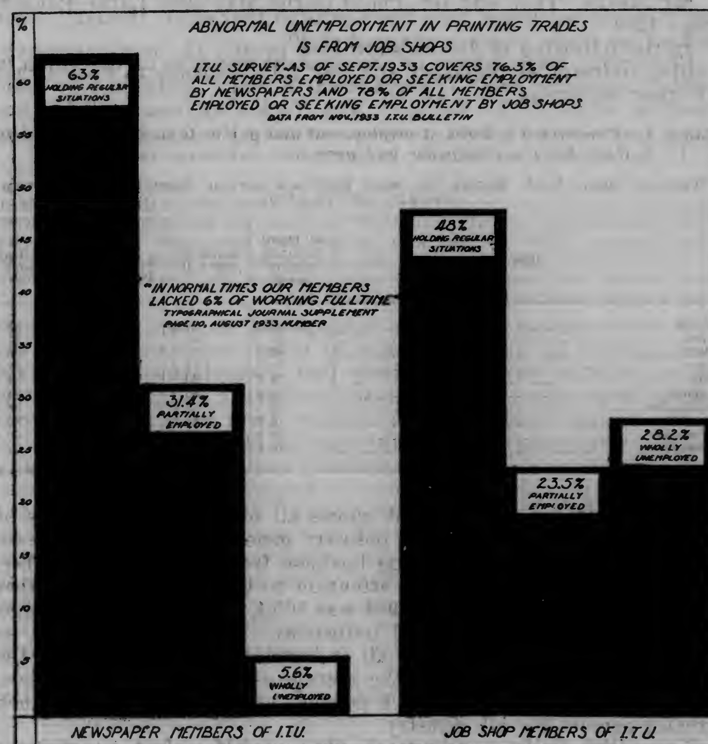
You will find, if you refer to the Census of Manufactures, that the wage earners employed in the newspaper industry and periodical publishing business totals 129,660 in 1929; and in 1933, the last year for which those figures are available, the total was 109,078, a drop of only 20,000, or 15.9 percent in the number of wage earners, while if

you examine the general industry average you will find it is more than double that. In industry generally the number of employees dropped was 34.1 percent as compared with less than 16 percent in the newspaper and periodical publishing business. Pay rolls between 1929 and 1933 declined about thirty-four and a fraction percent in the newspaper and periodical publishing business, as compared with fifty-five and a fraction percent in industry generally.

Obviously, if employment and pay rolls of all industry were at levels of those for newspapers and periodicals, there would be no unemployment problem of consequence.

Corroborative of the high level of employment in the newspaper publishing industry, as shown by the United States Bureau of Labor Statistics, is the following union data:

The I. T. U., in September 1933, made an employment survey of its members, the results of which are shown graphically by the chart which faces this page.



The union report is based upon total membership of the local unions supplying data. It fails to deduct from the figures on "partially employed" and "wholly unemployed" members, those who because of incompetency or age are not qualified to hold regular situations.

That there are many members of advanced age was indicated by President Howard, of the I. T. U., page 107, February 1933, Typographical Journal, as follows:

On December 20, 1932, there were 4,170 pensioners. The indications are that there will be more than 4,500 on the roll by the end of the present fiscal year, and there will be more than 5,000 on the roll at the end of the following fiscal year. There are more than 10,000 members 60 years or over.

This means that approximately 16 percent of the I. T. U. membership is over 60 years of age, and most of its elderly members are to be found in newspaper composing rooms. The same general situation is true of the other printing trades.

Senator AUSTIN. Is that Matthew Woll?

Mr. KELLY. No. That is President Howard of the International Typographical Union. Matthew Woll is connected with the photo-engravers' union. There are five different unions in the printing trades.

That goes to show that in the newspaper and periodical publishing business we do not have the condition that exists in many other industries, where men are scrapped at 40.

Concerning the existence of incompetent members of the union, a publication called the "Typographical Forum", published by some members of the T. U. No. 6, of New York City, commented editorially in its July 16, 1932, number, covering the membership of the T. U. No. 6, alone, as follows, in part:

On the other hand, we are informed that we have a large number of "unsalables." Figures have varied anywhere from 200 to 500 on this classification. This group includes men who would still be among the unemployed if jobs were going begging. There are men who, because they have never learned to print or because of their intemperance or laziness, cannot hold jobs; men who do not want to work more than is needed to exist; and men who believe the union owes them a living and should deliver it at their door.

It seems obvious that if the incompetent members and members incapacitated by advanced years be taken into consideration, the union statistics show conclusively that unemployment to any abnormal degree does not exist in the newspaper publishing industry.

The average worker in this industry fares well, all things considered, when compared with the workers of other industries.

In connection with the extraordinary employment record of daily newspapers published throughout the depression, I invite your attention to the fact that "experience rating" long has been established as the governing factor in determining rates which shall be paid by the respective industries under the various insurance laws. The same rule applies in all forms of insurance rate making. Under that rule the industry that produces the greatest number and severity of industrial accidents pays the highest rate, while the industry with the smallest frequency and severity of industrial accidents pays the lowest rates.

The newspaper-publishing industry for which I am speaking has every right, we believe, to expect that any Federal legislation having for its objective the shortening of hours of work under a theory of spreading available employment shall take into consideration and give proper weight to the employment experience rating of such industry.

To say that an industry with the highest level of sustained employment shall be made subject to the same legislation, growing out of an

unemployment emergency, as an industry with the lowest level of sustained employment, would be to say in substance that all insurance rates should apply uniformly throughout the country with no regard to experience rating.

The high level of employment and pay rolls in the newspaper-publishing industry was maintained in spite of ruinous shrinkage in revenue.

As an indication of the punishment taken by daily newspapers during the current depression, in loss of business volume, we have taken from the Editor and Publisher Yearbook the advertising volume for newspapers in 23 leading United States cities, as follows in table B. These data give the aggregate advertising linage for each city and the aggregate for all cities back to 1914.

The following table sets forth the aggregate linage, the index numbers, 1914 equals 100; index numbers 1923–25 equals 100; index numbers 1926 equals 100.

TABLE B.—*Showing advertising volume index of daily newspapers*

Year	Agate lines	Index 1914=100	Index 1923–25=100	Index 1926=100
1914	662, 586, 543	100. 0	55. 1	----------
1915	668, 738, 839	100. 9	55. 6	----------
1916	750, 629, 333	113. 2	62. 4	----------
1917	769, 734, 736	116. 1	64. 0	----------
1918	743, 206, 365	112. 1	61. 8	----------
1919	1, 028, 047, 134	155. 1	85. 5	----------
1920	1, 175, 021, 331	177. 3	97. 7	----------
1921	1, 068, 030, 687	168. 1	88. 8	----------
1922	1, 113, 020, 675	167. 9	92. 6	----------
1923	1, 190, 907, 700	179. 7	99. 1	----------
1924	1, 178, 517, 239	177. 8	98. 1	----------
1925	1, 237, 360, 956	186. 7	102. 9	----------
1926	1, 286, 122, 806	194. 1	107. 0	100. 0
1927	1, 245, 296, 051	187. 9	103. 6	96. 8
1928	1, 237, 531, 351	186. 7	102. 9	96. 1
1929	1, 292, 745, 591	195. 1	107. 5	100. 5
1930	1, 109, 132, 591	167. 3	92. 2	86. 1
1931	1, 010, 600, 455	152. 5	84. 0	78. 5
1932	813, 764, 714	122. 8	67. 7	63. 2
1933	745, 782, 483	112. 5	62. 0	57. 9
1934	790, 745, 769	119. 3	65. 8	61. 5

NOTE.—See table A for newspaper and periodical employment 100.4 and pay rolls 94.2 percent of 1923–25 average in December 1934.

It should be remembered that a newspaper cannot, in the absence of revenue business, shut down like a manufacturing concern or a commercial print ship. The newspaper must serve its readers. It is like a train which must make its run whether or not it has revenue passengers aboard.

It will be noted that 1934 volume of advertising was but less than 20 percent above that of 1914. It was materially below that of 1919. At its peak in 1929, it was 95.1 percent above 1914 levels. From this peak, the tremendous drop in volume is exceeded by the drop in revenue which is greater because of loss of column comes largely from the biggest-priced classifications of advertising. The remaining small volume of business embraces a greater percentage of the less lucrative classifications.

We admit that the foregoing advertising volume data are from only 23 leading cities. But we claim the data furnish a reasonably accurate barometer of newspaper advertising volume movement for

the entire country if it be kept in mind that newspapers in small cities have in general lost more business volume than have the newspapers of large cities.

The significant point is that newspaper labor costs remain approximately 100 percent above 1914 costs, while business volume is less than 20 percent above the level of that year.

I want to invite your attention to a survey made by Editor and Publisher, a trade paper in the publishing business. It appears in the number for January 5, 1935. This was a survey covering 75 newspapers in various parts of the country. The subhead states "Seventy-five papers, giving intimate figures of operation, showing pay-roll costs up over $9,000,000—A. N. P. A. shows rising employment, salaries."

I read just the high lights of this article, which are in a box.

The figures below, covering 75 important daily newspapers in scattered points throughout the country, are taken directly from the ledgers of those papers. An Editor & Publisher survey of the increased cost of operation under the "new deal", as contrasted with the increased revenue to these newspapers through the operation of recovery measures, reveals the following reliable facts: First 11 months of 1934 are compared wtih some period in 1933.

Increases, during 1934, of editorial expense, including salaries increase, additional employment, and all other editorial costs	$2, 375, 171
Increase in all other costs of operating, including salary increases and additional employment in circulation and advertising departments, new equipment, increases of mechanical pay, etc	6, 855, 557
Increased cost of newsprint for 11 months of 1934	4, 965, 663
Total increase in operating expense, Jan. 1 to Nov. 31, 1934, as against same period in 1933	14, 196, 391
Total increase in gross revenue, 75 papers	13, 462, 849
Decrease in net income	733, 542

Despite a slight upturn in business from the low level the net income was decreased with increased labor costs. We admit that there has been an improvement since 1933, but it should be kept in mind that newspapers in small cities have, in general, lost more volume than newspapers in large cities.

I invite your attention to a publication by the Bureau of Labor Statistics, No. 1421, which states:

Reports were received in December from 25,288 establishments employing 3,605,566 workers whose weekly earnings were 71,080,570 during the pay period ending nearest December 15. The employment reports received from these cooperating establishments cover more than 50 percent of the total wage earners in all manufacturing industries of the country.

I invite attention to the fact that that figures out $19.70 per week, as against $28.80 per week, for all employees in the newspaper and periodical publishing business.

WAGE RATES AND AVERAGE EARNINGS HIGH IN NEWSPAPER PUBLISHING INDUSTRY

Average earnings per hour and average hours worked per week compiled by an impartial agency for the various major industries, may be found in convenient form in the monthly Service Letter published by the National Industrial Conference Board. The average figures for 1934, arranged in the sequence of hourly wage rates are:

All wage earners, regular and casual

	Average hours per week in 1934	Average earnings per hour in 1934
		Cents
Printing—news and magazine	36. 7	83. 5
Rubber	32. 2	74. 9
Automobile	33. 5	73. 1
Printing—book and job	37. 1	71. 7
Electrical manufacturing	33. 7	64. 5
Iron and steel	30. 3	63. 4
Machine and machine tools	36. 5	61. 9
Heavy equipment	34. 4	61. 5
Agricultural implements	38. 5	60. 9
Foundries	32. 7	58. 0
Chemical	38. 2	57. 7
Foundries and machine shops	35. 1	57. 4
Paint and varnish	38. 9	55. 9
Other Products (of foundries and machine shops)	36. 0	55. 7
Boot and shoe	37. 1	55. 3
Leather tanning and finishing	36. 7	54. 7
Hardware and small parts	34. 8	53. 0
Meat packing	40. 9	53. 0
Wool	32. 9	51. 5
Paper and pulp	37. 4	51. 4
Furniture	34. 1	51. 3
Paper products	36. 4	51. 2
Hosiery and knit goods	34. 9	51. 2
Silk	31. 2	51. 0
Lumber and millwork	34. 8	48. 5
Cotton—North	35. 3	44. 2

Averages are simple averages of 12 monthly reports.

Simple average hours of work available per week in all industries other than newspapers and periodical publishing, 35.34

Simple average earnings per hour of all wage earners in industries other than newspapers and periodical publishing, 58.32 cents.

CONTRACT WAGES AND HOURS OF WORK

We have been discussing average hourly earnings and average hours of work, as shown in the United States Bureau of Labor Statistics and by the National Industrial Conference Board for all employees of newspapers. We will now show contract rates per hour and hours per week.

There are on file in the office of the A. N. P. A. special standing committee 534 contracts between daily newspaper publishers and local unions. Some of these contracts embrace several newspapers. To illustrate: The entire number of newspapers in a city may be parties to the same contract, and it therefore counts but one contract in the files. In addition to the contracts there are 52 verbal understandings under which union members are employed exclusively but no formal contract exists.

The formal contracts on file are as follows:

Typographical	229
Pressmen	120
Stereotypers	119
Photoengravers	32
Mailers	34
Total	534

The simple average of hours per week provided by the contract and hourly rates for union newspaper scales of record in the files of the special standing committee follow as table C:

TABLE C.—*Showing average contract, hourly rates, and hours per week*

	Day work		Night work	
	Hourly rate	Hours per week	Hourly rate	Hours per week
Typographical	$0.971	42.7	$1.049	42.6
Pressmen, journeymen	.034	44.9	1.012	43.7
Stereotypers	.957	45.0	1.037	43.7
Mailers	.828	45.4	.881	43.9
Photoengravers	1.312	41.8	1.451	40.6

NOTE.—By code provisions and share-work plans of unions the organized departments are in general working less hours per week than contracts call for, where in excess of 40 hours.

It should be remembered that the foregoing simple average wage scales are not comparable for determining the relative wage status of the different unions, because they are not based upon the scales for identical cities. The photoengravers' scales, for instance, are for 32 leading cities. Typographical scales, on the other hand, are for several hundred cities, towns, and villages, ranging from New York City with its nearly 7,000,000 population to Carson City, Nev., with its 1,596 population. The hourly day rate ranges from a high of $1.45 per hour to a small-town low of 69 cents per hour.

By taking the simple hourly wage rates individually as an indication, here is what would happen to hourly rates were a 6-hour day at present wage rates legislated upon the newspaper publishing industry:

	Resulting hourly rate		Percent of increase over present hourly rate	
	Day	Night	Day	Night
Typographical	$1.382	$1.490	42.3	42.0
Pressmen, journeymen	1.398	1.474	49.7	45.7
Stereotypers	1.435	1.511	49.9	45.7
Mailers	1.258	1.289	51.3	46.3
Photoengravers	1.828	1.964	39.3	35.4

We emphasize that the foregoing calculations are based upon simple average union hourly wage rates for typographical scales in 562 communities; pressmen scales in 136 communities; stereotypers scales in 167 communities; photoengravers scales in 32 communities; and mailers scales in 35 communities. Were a weighted average used the rates would be higher because of the concentration of printing-trades workers in the largest cities, where the highest hourly wage rates prevail.

I am speaking of a business which perhaps has more hampering rules and regulations of the unions to deal with than any other. That is a very vital point to which I wish to invite your particular attention. It is a total impossibility to operate on a 6-hour basis,

because of inherent difficulties in regard to news and advertising, to say nothing of union rules which constitute a part of a day as a full day, with a very liberal provision for overtime rates.

A great number of newspapers outside of those of smallest circulations are now working their employees a 5-day week. In going to that from a 6-day week they increased their labor costs 20 percent.

Assume a hypothetical case for illustration. Assume an employer now working five 8-hour shifts per week at $8 per shift or $40 per week. Assume further that 8 hours is the minimum in which the situation can be covered.

Reducing that employee's working time to 6 hours per day without reduction in pay, as contemplated by S. 87, increases the hourly labor cost to $1.33⅓ per hour, or 33⅓ percent.

And that is not all the cost. There remain 2 more hours to be covered. Will the publisher be permitted to employ a part-time worker to perform these 2 hours for a daily earning of $2.66? And what if the work requires a degree of skill which makes it impossible to get a qualified employee on a part-time basis? What if the work be in a unionized mechanical department where union laws require the payment of a full shift for every part of a shift or, in lieu thereof, overtime rates of price and one-half? A full shift for 2 hours' work would mean that the publisher must pay $16, or a 100-percent increase for the performance of 8 hours of work. Should the law be construed as permitting overtime work, the publisher's alternative would be 6 hours' at straight time, or $8, plus 2 hours at price and one-half, or $4, a total of $12, or 50 percent increase for the job.

More than half the total number of daily newspapers have less than 5,000 circulation. More than 70 percent of the total number have less than 10,000 circulation. Only 14 and a fraction percent of all daily newspapers enjoy circulations in excess of 25,000. Only 3.5 percent of the newspapers have 100,000 circulation and over.

Gentlemen, you cannot make a blanket provision of this kind to cover a business already suffering from hampering and restrictive union rules. It simply cannot be done.

Please bear in mind that the small daily has suffered a greater proportionate loss in business volume than has the large daily. Bear in mind that the aggregate newspaper business volume for 23 leading cities in 1934 was less than 20 percent above 1914 volume.

To talk of legislating an increased labor cost of more than 50 percent upon daily newspapers—approximately 40 percent above the prosperity level wage rates of 1929—is to talk of the impossible, unless the act designates a substitute for money or legislates into daily newspapers a business volume greatly in excess of that of 1929.

Aside from the fact that the act contemplates an impossible objective, all things considered, there is the further fact that it would place an unfair penalty upon employers who throughout the depression, maintained the highest level of compensation and employment for their workers.

The act would inevitably result in decreased employment in the newspaper-publishing industry. Many newspapers would be forced out of business and others would of necessity reduce the number of editions and size of the paper, resulting in loss of hundreds of thou-

sands of man-hours of employment in the industry and out through the various channels of raw materials used.

I want to invite your attention to the fact that under our State compensation laws, which is generally known as "industrial insurance", all those acts are based upon an experienced rating. The business which contributes the greatest frequency or the greatest severity of accidents pays the highest rates; the industry or business which contributes the lowest frequency or the lowest severity of accidents pays the lowest rates. It would be manifestly unfair, it seems to us, to place upon a business which has maintained the highest level of employment and the highest level of earnings the same legislation which is designed to remedy conditions in the low-paid industries and long-hours industries.

HOW A NEWSPAPER IS MADE

In its broadest scope, the making of a newspaper commences with the woodchopper in the pulpwood forests and ends with delivery of the finished newspaper to the furthermost subscriber. Between these two points occurs a multitude of complicated processes and services.

DEPARTMENTS

Leaving out of consideration the raw materials and assembly thereof at the newspaper plant, the production of a daily newspaper falls into the following general activities: The gathering of news, service to advertisers, production, and distribution of the newspaper. In general operation the work is divided among the following highly differentiated yet logically related departments: Editorial, business, advertising, mechanical, and circulation.

The editorial department gathers and writes local, State, national, and international news. Its employees include numerous editorial, executives, subexecutives, and department heads, deskmen, reporters, editorial writers, special writers, and artists, cub reporters, clerks, and errand boys.

In the business office are executives, subexecutives, and department heads, accountants, and clerks in various capacities, who, throughout normal business hours carry on the various functions of the business departments of a newspaper.

In the advertising department are executives, subexecutives, specialists, solicitors, salesmen, promotion men, classified-advertising clerks, and sundry clerical help.

The mechanical departments include the composing room, stereotype room, pressroom, mailroom (shipping department). The photoengraving department, while usually classified as a "mechanical department", is really an adjunct of the editorial and advertising departments.

In a very great number of the newspapers of the country, composing rooms, stereotype rooms, pressrooms, mailrooms, and photoengraving departments are manned by members of the various printing trades unions.

The circulation department is comprised of executives, subexecutives, numerous classifications of district men, route agents, clerks, carriers, drivers, truckmen and helpers, solicitors, and others.

Strictly speaking, the mailroom, or shipping room, is a part of the circulation department. The same is true of the outside delivery system.

During the last 15 years there has been a complete revolution of transportation services in the United States, due almost wholly to the development of good roads with Federal assistance. Since 1917 over a billion and a half dollars have been distributed by the Federal Government as State aid for road-building programs, and many times this sum has been spent by the States on road building, with the result that today we have in this country more than 900,000 miles of surfaced roads available for all forms of distribution and particularly available for newspaper distribution, which were not in existence 15 years ago. As a result of this road work, trains have been taken off and in place of trains other agencies of distribution have been created, such as the truck and the bus.

Mail service has been so curtailed that many of our newspapers, particularly afternoon papers as well as our morning newspapers, in order to get distribution on the day of publication, have been compelled either to create their own truck service or to arrange for such a service by contract. The trucks go hundreds of miles with newspapers today.

On the morning newspapers, the trucks leave the office of publication all the way from early before midnight until 3 or 4 o'clock in the morning, those having the longest distance to go, of course, leaving earlier.

As it is utterly impossible for the Postal Service to distribute afternoon papers in rural sections on the day of publication, hundreds of our papers today have their own agencies of distribution, and the actual service of the distribution begins about noon and continues until after 8 and 9 o'clock at night.

The newspaper-publishing industry is subject to peculiar production requirements. There is no product as perishable as a daily newspaper, which under many circumstances is obsolete within a few minutes after it reaches the street.

There are certain services or departments in the newspapers that positively cannot operate on a 6-hour basis. In some of the larger centers, yes; perhaps in some of the departments, if there were no restrictive rules which would penalize them unduly, but they can't do it on a small newspaper and on very few of the large ones.

Due to the peculiarities of newspaper production requirements, the newspaper-publishing industry cannot stagger its requirements uniformly throughout the 24-hour period in the manner that a manufacturing concern, as that term is generally understood, can stagger it. The newspaper must have a concentration of its forces at those hours when peak requirements occur. With news and advertising, these vary with the city and vary even with the individual newspaper. One newspaper may have a production requirement of 12 or 14 hours within which occur two peaks requiring maximum forces. Another may have a production requirement of but 7½ hours requiring a maximum force for the entire period.

It will be readily apparent, for instance, that an afternoon paper on the Atlantic coast requires a greater concentration of news and mechanical department employees at a given period than would be needed by a newspaper on the Pacific coast to cover the same news.

The variation in time between the two coasts produces at the extremes and at intermediate cities, varying production requirements.

There is no possible method by which a publisher can tell in advance what the breaks in news will be or what the amount of advertising will be. He may at a late hour get an increase of one or several pages of advertising, and he may have a cancelation of one or several pages of advertising.

It will be obvious that decrease in advertising or news creates a surplus of men for that particular shift, but an increase to the same degree positively necessitates overtime work by the group concerned. Flexibility in this particular is an imperative necessity of the newspaper production.

There is, perhaps, no other industry in which arbitrary limitation of hours could work as great an inconvenience, cost, and unworkable rules as in the making of a daily newspaper, even though the management had complete control which it has not because of union rules which we will presently describe.

INDUSTRIAL RELATIONS POLICY

The newspaper-publishing industry is characterized by a liberal wage policy with unexcelled working conditions for its employees, generally speaking, and continuity of employment which is unsurpassed.

Previously we have shown that after more than 4 years of business depression the average hourly earnings of all wage earners employed by newspapers ranks at the top. The average hours per week of employment for wage earners ranks at the top.

Please bear in mind that the data of the United States Bureau of Labor Statistics and the data of the National Industrial Conference Board bearing upon average earnings and average hours of work per wage earner, cover both organized and unorganized employees of newspapers. There are, of course, no contracts between unorganized groups and newspaper publishers. The wages and hours worked are a matter of individual bargaining.

CONTRACTS AND AGREEMENTS

There are, as previously stated, 534 contracts between the various local unions and newspaper publishers, together with 52 verbal agreements under which union employees exclusively are employed in the departments and union conditions are observed. The total of formal contracts and verbal agreements is 586.

The international arbitration agreement exists between the American Newspaper Publishers' Association and the International Printing Pressmen and Assistants' Union.

Out of the amicable relations which exist between the newspaper-publishing industry and the various international unions of the printing trades, there has grown up what is perhaps one of the most comprehensive and advanced systems for the amicable adjudication of industrial relations disputes which exist any place in the country. As early as in 1901 the American Newspaper Publishers' Association entered into, with the various printing trades unions, what is known as the "International Arbitration Agreement."

Under this agreement, local arbitration boards correspond to lower courts or courts of original jurisdiction. The International Arbitration Board corresponds to a supreme court, or a court of review. Under these arbitration agreements, the maintenance of existing conditions is an obligation of the parties who enter into these agreements. It is not within the province of either party to chance conditions other than by mutual consent, or by an arbitration decision arrived at through the prescribed code of procedure.

When the War Labor Board was taking jurisdiction over various industrial relations disputes, it was decided that due to this International Arbitration Agreement, it could not, with propriety, take jurisdiction over disputes in the newspaper-publishing industry. The conclusion at that time was that the industry had set up its own machinery for the adjudication of industrial-relations disputes.

Up to 1922 the international arbitration agreement existed between all of the printing trades unions and the American Newspaper Publishers' Association. In that year disputes arose concerning the exemption from arbitration of those union laws which affected wages, hours, and working conditions, and the international arbitration agreement was not renewed, except in the case of the International Printing Pressmen and Assistants' Union, which entered into an international arbitration agreement with the A. N. P. A., making arbitrable all questions which affect wages, hours, working conditions, efficiency, and administration of the department.

It may be worthy of note that this agreement on January 1, 1933, was renewed for its third 5-year term.

With the other international unions, by mutual consent the American Newspaper Publishers' Association representatives, and representatives of the international union concerned, functions as an international board of arbitration in all those cases where the local parties have agreed to arbitrate under the terms of the last international agreement.

There are today approximately as many arbitration agreements under this stipulation as there were in the days when the respective international arbitration agreements were in full force and effect.

Many of the contracts existing between newspaper publishers and local unions prescribe, by mutual consent of the parties who made them, that if disputes arise under the contract, or in the making of a contract to succeed it, the parties will submit their differences to arbitration in accordance with the terms of the last existing international arbitration agreement.

There are many other contracts which make no mention of the arbitration agreement, but which do provide that the parties will respect and observe the conditions imposed by international union laws.

There are some contracts which make no reference to the International Arbitration Agreement, and make no reference to local or international union laws, but nevertheless, under all contracts, it is the claim of international unions of the printing trades that those union laws of the year in which the agreement was made govern and are a part of the contract.

This is a highly controversial question. Recognition of ex parte union laws, rules, and regulations having to do with wages, hours, and working conditions and administration of the department is by duress and not by consent of the publishers.

The International Arbitration Agreement with the International Printing Pressmen and Assistants' Union makes subject to the scrutiny of an impartial arbitrator all laws affecting wages, hours, working conditions or administration of the department. This we maintain is as it should be.

Laws of other unions were passed in normal times and in contemplation of continued normal business conditions. They are no more entitled to be exempted from arbitration than would be arbitrary rules and regulations prescribed by the publishers.

It is these laws which make impossible for newspapers the application of blanket legislation which contemplates radical reduction in hours of work, because these laws hamper and restrict proper managerial prerogatives, and the unions concerned refuse to submit them to the impartial scrutiny of an arbitrator.

This is a situation which commands consideration.

If 534 formal and 52 verbal agreements between the unions and publishers are to be set aside by the contemplated requirements of Senate bill 87, and if the International Arbitration Agreement, which requires the maintenance of existing conditions until changed by mutual consent or by an arbitration decision under the procedure prescribed, are to be set aside and superseded by this proposed 5-day week 6-hour day law, then likewise, all union laws which affect the publishers must be set aside and superseded by this proposed law for the entire duration of the period in which this proposed law will be effective or permanently, if there is to be no limitation.

REQUEST FOR BILL OF PARTICULARS

This proposed 5-day week 6-hour day as prescribed by Senate bill no 87, brings us squarely up to the questions of:

No. 1. What is to be the status of existing contracts and verbal requirements?

No. 2. What is to be the status of existing arbitration agreements? Is it contemplated that this bill, if it becomes a law, will set aside and suspend these agreements; and if so, what agency or tribunal is substituted for them?

No. 3. Will this bill set aside all union laws affecting wages, hours, working conditions, and administration of the department?

Senator NEELY. Is that inquiry directed to the committee or to the Senate?

Mr. KELLY. I understand we are submitting all these questions for the consideration of the Senate.

No. 3. Will this bill set aside all union laws affecting wages, hours, working conditions, and administration of the department. It would seem obvious that it would be improper to destroy portions of existing contracts and leave in effect that portion of the contract which, according to the union claim, is valid as expressed in the various union laws. And we ask if that be done, a clear instruction be issued which will designate that agency or tribunal to which the disputes of these parties may be submitted without any limitation whatsoever from union laws.

I think you will get the idea there, with these inflexible laws of the union, whether you will set aside the contracts which have been established. To leave those laws in effect would simply mean ruination for a number of newspapers. They couldn't stand it.

Senator NEELY. In other words, you want your industry exempted from the operation of this bill?

Mr. KELLY. I am glad that you brought that up. We say, put us on the same footing. If you wipe out our contracts, wipe out and make illegal the others. Don't leave us hampered and handicapped in a way that the publishers can't move, but are tied down to contracts which prescribe what they must do and what they must not do. That is all we complain about. If you put us on the same footing with the union, and take into consideration the peculiar production requirements of the newspaper business and provide some flexibility, we will be satisfied. We are asking no favors. All we want is an even break, and then we will take care of ourselves, but we don't want to be hobbled from the very beginning.

Senator NEELY. The committee cannot undertake to solve all the problems that may emanate from the imagination of those who oppose the 30-hour week bill.

Mr. KELLY. We feel that does not debar nor prevent your consideration of that which will make for a successful functioning of the act. As we understand this bill, it contemplates improving the lot of the worker. It certainly would not be consistent in the contemplation of the act to leave something undone or do something which would defeat the very purpose of the act.

Senator NEELY. But, Mr. Kelly, the arguments you are now making have in substance been made against every proposed reduction in hours of service. The steel industry for years worked its employees not 6 but 7 days a week, and 12 hours a day. But now there is no such thing as the 12-hour day in the steel industry.

The arguments you are making are but a repetition of the arguments that were made against the enactment of the Adamson eight-hour law. Subsequent to the time the Adamson law went into effect the railroads enjoyed a degree of prosperity and their stocks reached a value on the exchange that had never been equaled in the history of the country.

Mr. KELLY. My argument may be as old as the hills. I don't know as to that. I didn't hear the arguments to which you referred. But I still think they are applicable to the situation that confronts the newspaper business. The railroad labor did not have a closed shop union. The steel mills were all open-shop concerns.

Senator NEELY. Do you mean to say there are no open-shop newspapers?

Mr. KELLY. They are in the great minority. Even if you could name 50 or 100, it still would not alter the situation. You cannot operate successfully if you strike out the contracts and provisions established for your protection, and leave in effect these union rules, laws, and regulations. I say that you must put them both on an equal footing and make proper flexibility for the peculiar requirements.

Now, mind you, the average manufacturing concern, the steel mills, even the railroads, do not have the uncertain features that are connected with newspaper production requirements. Who knows at what moment a national figure may drop dead, or a war breaks out, or any of the events which lead to a big break in the news? Those things are beyond the control of the publisher. Go back into the history of the business and you will find it has been in the vanguard always in reducing hours.

Senator NEELY. What are the hours of service at the present time?

Mr. KELLY. In a great majority of instances we have 40 hours or less, due to the codes and the contracts with the unions.

Senator NEELY. What were they before the codes?

Mr. KELLY. Forty-six and a fraction, with a maximum of 48.

Senator NEELY. Then the hours of service in the newspaper business have been reduced to the extent of 7 or 8 hours a week by virtue of the operation of the codes?

Mr. KELLY. But not the shifts. The week can always be arranged, if there are no restrictive union rules preventing it.

Senator NEELY. Is it a fact that the working hours per week have been generally reduced in the newspaper business by the operation of the codes, and if so, to what extent?

Mr. KELLY. They have been reduced on the average by probably 6 and a fraction hours a week with a proportionate reduction in pay. A newspaper must operate 6 or 7 shifts a week.

Senator NEELY. Do you mean that the reduction in hours of service that has been made in the newspaper industry has been accompanied by a proportionate reduction in the wages the employees previously received?

Mr. KELLY. In a large number of cases. But bear in mind that there has been a restoration of wages. The general average throughout the industry will run around 10-percent reduction in hours and wages; and there has been about a two-thirds restoration of that rate. I am speaking in average terms.

Senator NEELY. Then the per hour cost to your industry is considerably greater under the operation of the code than it was before?

Mr. KELLY. Yes, sir.

Senator NEELY. How does the present prosperity of your industry compare with its prosperity during 1930, 1931, and 1932?

Mr. KELLY. I am not familiar with any newspaper dividends. There are a few paying dividends, but there are a great number that are on the ragged edge of dipping into the red ink in every month of the year.

Senator NEELY. Do you not know of any newspapers that pay dividends?

Mr. KELLY. No, sir. I pay no attention to that. I am not in that line.

Senator NEELY. Do not the Hearst papers pay dividends?

Mr. KELLY. Yes.

Senator NEELY. You know that?

Mr. KELLY. Yes.

Senator NEELY. Why did you say you were not aware of any newspaper that paid dividends?

Mr. KELLY. I think that you misunderstood me or I did not express myself clearly. I say I am not familiar with dividends. I know the Hearst papers pay dividends, and I know the Chicago News pays dividends, but I am not familiar with the subject.

Senator NEELY. You do know that the publishing business has been more prosperous under the operation of the code than it was before?

Mr. KELLY. No; I do not.

Senator NEELY. Is or is not that a fact?

Mr. KELLY. I have no figures of my own, but I would say, from this survey covering 75 leading papers, that it is not a fact.

I base my statement on that recent survey, where they found that because of increased labor costs there was a decrease in net income of about three-fourths of a million dollars.

No. 4. If the Senate bill no. 87 becomes a law, what provision is to be made for the imperative necessity of flexibility of hours due to the indeterminable and unforeseen production requirements of newspapers?

Publishers have learned in past experience that reductions in the specific hours of labor served merely as an excuse for the collection of punitive rates for overtime pay under union laws.

In fairness to both parties, if this bill becomes a law and newspapers are included under it, it should be provided that, upon a determination by the proper tribunal that in a specific industry such as the newspaper publishing industry, overtime frequently is required, there shall be established a flexible day of from 6 to 8 hours with no punitive pay for overtime until after 8 hours. If this is not done, then the purpose of creating additional employment will not be served. It will result in the elimination of numerous editions by many newspapers with consequent reduced employment rather than increased employment.

No. 5: How is it contemplated that the 30-hour week as prescribed in Senate bill no. 87 will apply to editorial departments? How, for illustration, will it apply to space writers or special writers who deal with economics, art, literature, and sciences? The same problem arises with reference to specialists writing political, financial, and economic subjects. For instance, if either House or Senate should stay in session for more than 6 hours, as both Houses frequently do, is a correspondent in the press gallery to punch a time clock when he goes in and then go off duty at the end of 6 hours, even in the midst of an important speech? What would be the practice under this proposed 5-day 30-hour week concerning deskmen? The city editor, for instance, in whose mind is a comprehensive picture of the pattern that the news of that day is taking—how could another man take up his work at the end of 6 hours if it is contemplated that this bill should apply to editorial departments?

No. 6: Who is to determine where the line will be drawn between specialists, executives, subexecutives, and any other whose special training and ability is needed more than 30 hours a week, as distinguished from those employees performing ordinary routine duties who might easily be rotated?

No. 7: Where would the operation of this contemplated 5-day 30-hour week commence and where would it end? Will it commence with the collection of news and advertising and end when the furthermost subscriber has received his copy of the paper, or is there some intermediate point at which it will commence and cease its operation?

No. 8: What is to be the status of the private owner of a truck who contracts with a newspaper to deliver a certain route?

No. 9: What is to be the rule for a newspaper having a full-crew production requirement of 8 hours per day? Union laws require that a member called for work may not be paid less than for a full

day. Senate bill no. 87 provides that 6 hours shall constitute a maximum day. Will that newspaper be expected to call in a new crew and pay it for 6 hours, although it works but 2 hours?

The foregoing typical questions would, with innumerable others, immediately become pressing were Senate bill no. 87 to become a law.

Section 5 of Senate bill no. 87 sets out what purports to be a measure of flexibility and relief in the following language:

On and after the date this act takes effect it shall be unlawful for any employer subject to any of the provisions of this act to reduce, directly or indirectly, the daily, weekly, or monthly wage rate in effect on such date (or, in the case of an applicant for a loan from a governmental agency, on the date his application is submitted) with respect to any of his employees until reasonable opportunity has been afforded to his employees, through representatives of their own choosing by a majority vote, to meet with the employer or his representatives and to discuss and consider fully all questions which may arise in connection with the reduction of such wage rate.

In practical application, that means no reductions, as the following quotations from the last official convention's proceedings of the International Typographical Union eloquently testify (see pp. 130–131 of proceedings for fifth day):

There are times when local unions want haste and there are times when they do not want it. Perhaps the members of the New York union who instructed the delegates have forgotten that in 1929 they had a scale expire in the newspaper branch because they could not arrange a settlement, and placed the matter in the hands of the International president, and he held it, and their settlement was not arranged until December 1932. From the time the scale expired, in 1929, if my memory serves me right, until December 1932, the members of the New York union enjoyed the highest scale they ever had during that entire period of the depression, because of the dilatory tactics of the International president.

We have a number of other unions which are in exactly the same position. We have some for whom the International president rendered the service, all during the depression, of taking the responsibility for holding up the negotiations of their contracts, and while all other unions were being compelled to accept decreases, and no doubt had settlements been made during that period, they also would have accepted decreases. The International president delayed and saved them from the sacrifices that would have been necessary in decreases in their wage rates.

Lines 9 to 16, inclusive, page 3, S. 87, read:

Provided, That upon the submission of satisfactory proof of the existence of special conditions in any industry included herein, making it necessary for certain persons to be employed more than five days in any week or more than six hours in any day, the Secretary of Labor, or his duly selected representatives, may issue exemption permits with respect to such persons, relieving the employer from the provisions of this Act with reference to such persons.

For reasons hereinbefore shown, and because of the delays inherent to proving necessity for exemption and securing exemption permits, this provision does not afford adequate relief, nor necessary flexibility. This section would not prevent great losses and actual failures before relief could be afforded. All of this would defeat the contemplated objectives of Senate bill No. 87 because it would reduce rather than increase employment.

In conclusion and summarizing very briefly:

We have shown the available employment in the daily newspaper publishing industry and the average earnings per hour of wage earners therein to be the highest of any industry.

We have shown that available employment in this industry is above the levels of all industry despite the tremendous losses in business volume.

We have shown that more than half of the daily newspapers have less than 5,000 circulation, only 14 and a fraction percent enjoy circulations of 25,000 or more, and only 3.5 percent enjoy circulation above 100,000.

We have described the peculiar production requirements of newspapers and the manner in which proper managerial prerogatives are interfered with by certain ex parte union laws, rules, and regulations.

We have shown that the inflexible provisions of Senate bill no. 187, as drafted, would increase the basic labor cost of daily newspapers more than 50 percent—approximately 40 percent higher, in the mechanical department, than the prosperity levels of 1929.

We unqualifiedly declare the objective contemplated by Senate bill no. 87 to be impossible, all things considered.

We predict that if it becomes a law, hundreds of thousands of man-hours of now available employment in this industry will cease to exist because of the number of daily newspapers which cannot survive and because of the number of editions which, of necessity, will be discontinued.

If the committee be not yet convinced of the imprudence of endorsing Senate bill no. 87, and if that bill in some form be destined to become a Federal law, then we most respectfully urge that you give the units of this industry a fighting chance to survive. Give the bill a fighting chance to function successfully. Provide it with flexibility in its application to production requirements peculiar to a given industry. Provide that hourly wage rates need not be increased until increasing revenue business volume makes it possible. Fail to provide that and Senate bill no. 87 becomes the death warrant for hundreds of daily newspapers now barely able to survive financially.

Subordinate all ex parte union laws, rules, and regulations which affect wages, hours, working conditions, and administration of departments, to this act.

Designate the International Arbitration Board of the International Printing Pressmen & Assistants' Union and the American Newspaper Publishers' Association as the authorized tribunal for making decisions upon the many controversial points which will arise. That tribunal is comprised of experienced men in the industry and has more than 30 years' standing.

Also, we respectfully invite attention of the committee to the fact that even this tribunal could not function quickly enough to prevent great and irreparable loss to individual newspapers under such a radical change as contemplated by Senate bill no. 87.

A newspaper, as has been previously pointed out, is one of the most perishable of products. Delays in meeting its production and delivery requirements can easily result in intangible losses which cannot be measured in terms of money. Losses for which reparation cannot be made. The bill, if it becomes a law, should specifically provide that on all questions arising from the application of this contemplated law insofar as wages, hours, working conditions, and administration of the department are concerned, the orders of the management shall be executed pending a decision by the International Arbitration Board, which under present rules has jurisdiction back to the original raising of an issue.

STATEMENT OF ROBERT C. GRAHAM, VICE PRESIDENT OF GRAHAM-PAIGE MOTORS CORPORATION, REPRESENTING THE AUTOMOBILE MANUFACTURERS' ASSOCIATION

Senator NEELY. Mr. Graham the committee is ready to hear you.

Mr. GRAHAM. I represent the Automobile Manufacturers' Association, the membership of which includes all motor-vehicle manufacturers of any size with the exception of the Ford Motor Co. As you perhaps know, this industry, including body and parts plants, employed in 1934 an average of 430,000 men. Including those directly and indirectly employed in the production of raw materials, maintenance, and truck transportation, there is a grand total of about 4½ million men whose livelihood is closely identified with the automotive industry.

I would like to give you a few comments in regard to the situation in our industry. In 1932 we were down to a low ebb of 1,200,000 automobiles, from our peak in 1929 of 5,600,000. There has been a tremendously fine job done by our industry, I feel sure. In 1933 we went to 1,800,000 cars. In 1934 we hit 2,800,000 cars.

Senator NEELY. That was the output of the entire industry?

Mr. GRAHAM. Of the entire industry.

Senator NEELY. Including Fords?

Mr. GRAHAM. Including Ford. We are anticipating in 1935 that the industry will produce 3,500,000 automobiles.

The automobile industry is the largest single user of steel, glass, rubber, nickel, lead, of certain textiles and of upholstery leather. In addition to these, it is an enormous consumer of a very wide variety of raw and manufactured materials of the products of farm, mine, and factory of almost every kind and variety. Every State in the Union furnishes some product for the automobile. It is generally recognized that the well-being, not only of a vast number of workers, but of a great number of business enterprises, large and small, is involved with that of the automobile industry.

I would like to bring out the point that every State in the Union contributes to the manufacture of automobiles. For example, every State furnishes raw materials and supplies. South Carolina furnishes two, cotton and cotton fabrics. Pennsylvania furnishes 17.

Senator NEELY. What does West Virginia furnish?

Mr. GRAHAM. We get glass from West Virginia. Glass is the principal one. We are large users of plate glass, and wire.

Senator NEELY. Of course, you know that West Virginia makes the very best glass in the world.

Mr. GRAHAM. That is right.

Senator NEELY. If you do not know it, I hope you will learn it and advertise it to the world.

Mr. GRAHAM. Yes, sir. Every bit of the glass we use comes from West Virginia, and I know a lot of other companies that do the same. When you visualize 22½ million square feet of glass in a million automobiles, you can see the tremendous importance of our industry to the glass industry.

I don't want you to overlook the fact that in the manufacture of parts and materials every State in the Union is interested. Rhode Island has 23 important plants making parts for automobiles. Texas has 100.

Senator NEELY. May I suggest that you say something about Senator Austin's State—Vermont; and Senator Hatch's State—New Mexico.

Mr. GRAHAM. From New England, for example, we get our leather and other materials including mica, silica, lacquer, mohair, and leather.

From Texas, we get a great deal more. I don't want Senator Hatch to feel bad, but I have been in Texas frequently over the past 30 years and I know the situation there. Texas has 100 plants manufacturing automobile supplies or equipment. California, for example, has over 200 plants supplying automobile equipment. From Texas we get wool, mohair, hides, and a large number of materials. We get from New Mexico, copper, zinc, wool, hides, cotton, and a number of other things.

I am referring to these things because I want to show you, in the first place, that we think we have been doing a fine job in aiding recovery. We have been going ahead and putting every ounce of energy that we have in an effort to assist the President in his recovery program. We think there has been fine progress made.

I would like to take a minute on the farm situation. I am farming about 4,000 acres and have been for 25 years, in southern Indiana.

Senator NEELY. Do you think that there has been an improvement in the condition of the farmer?

Mr. GRAHAM. I certainly do. I would like to show you how that improvement has helped us to sell more automobiles.

Senator NEELY. Do you consider farming your vocation or avocation?

Mr. GRAHAM. For over 100 years my folks have had these farms, and I am carrying on.

Two years ago, Senator, at my own elevators, we had 15-cent corn; today we have 85-cent corn. At that time we had $2.75 hogs, and today we have a top of $8.50. We have been feeding about 500 head of cattle, and 2 years ago the price was around $5, and we have a top today of $13.50. I will not go into other products that you know about as well as I do, but just in Indiana alone the improved price of farm products amounted to over $60,000,000 more than the year before.

We are trying to take advantage of those things. Our industry is based upon transportation, and we feel that the wealth of the Nation depends upon transportation plus natural resources, and therefore we are serving an important purpose in furnishing transportation.

Another point I want to bring out is the great improvement we have had in exports since 1932. We went down from a million cars to 181,000 cars exported, and this past year we went up to 435,000 automobiles. We naturally believe that the future of this foreign market is excellent. That is one reason why our industry has supported the President's reciprocal trade agreement program in every way we could. We think that there is going to be a tremendous opportunity for exports particularly in the next 3 years, because here we are in America with 7 percent of the population and 70 percent of the cars.

Senator Neely. You do not concur in the opinion expressed by Mr. Reymond to the effect that recovery has been retarded by the operation of the "new deal" legislation?

Mr. Graham. Senator, I must admit I was in the back row, and the gentleman spoke rather low. I tried to catch it, but I was able to get only disjointed remarks.

Senator Neely. Do you believe the industrial, the economic, and the financial affairs of the country are better or worse now than before the recovery program was adopted?

Mr. Graham. Well, Senator, in the first place, I am not an economist. I have been in the manufacturing business for 30 years, since I finished my schooling, in partnership with my brother. But as I see it, and as I pointed out, unquestionably we have had a very fine increase in the number of cars produced and sold, which shows the position of our industry.

Senator Neely. And there has been an improvement from the farmer's point of view?

Mr. Graham. A tremendous improvement for the farmer that I am so interested in. I could not go into every industry, because our time is given to this one industry. But for us, and for the farmer—and I will put the farmer first in importance—I think there has been a substantial improvement.

Senator Austin. I do not think the record ought to be interpreted that Mr. Reymond testified that there had not been an improvement. I think it should be assumed that he testified there had been, but it was not attributable to the shortening of hours; that there were other factors that went into that; and that there would have been a greater improvement if the program of shortening hours and the labor program and the program in relation to the cost of goods had not been adopted.

Senator Neely. His testimony is a matter of record. Those who read it can interpret it for themselves.

Proceed, Mr. Graham.

Mr. Graham. I tried to cover what we have done to assist in putting men to work and the tremendous effort put forth by the entire industry toward improving conditions here. Our first consideration is for the welfare and improvement of all factors in the United States.

Right here I would like to tell you that our firm, the Graham-Paige firm, is not one of the large firms. We are one of the small firms. You can realize that when we dropped from a high of 77,000 cars at the peak down to about 11,000 cars in 1932, it naturally took a good deal of capital that we had in our surplus.

Senator Neely. What was your output in 1933 and 1934?

Mr. Graham. We came right along with the industry. Our development and our improvement since 1932 was up to around eleven.

Senator Neely. Do you mean 11 percent?

Mr. Graham. No; 11,000 automobiles. The next year we made better than 14,000, and last year we made better than 16,500. So our ratio was about in line with the industry itself.

Senator Neely. What is your expected output for 1935?

Mr. Graham. For our company we have hopes in 1935 of an increase of from 50 to 75 percent. That is due to the fact that after 2 years of real intensive labor we have been able to bring out a car in the low-priced field. We feel, however, that there is going to be substantial improvement for everybody. We think the industry will go from 2,800,000 to 3,500,000 next year.

The Automobile Manufacturers' Association accepted the President's automobile code, and we have worked under that. The average factory wage rate at the end of last year was 77 cents an hour. As you know, the code provides for a 40-hour average week, with a maximum of 48 hours.

The industry and those dependent upon it, particularly the workers, have a vital concern in the measure before this committee.

Since the varied considerations involved in this measure as it applies to industry generally, have been ably presented by others, who have appeared before you, I shall confine my remarks to its applications in the automobile manufacturing industry.

In any industry where demand fluctuates from week to week as it does in the automobile industry, accurate forecasting is impossible. In such cases there are two necessary elements of flexibility in expanding production to meet rapid changes in production requirements. First, production is expanded by increasing the total working hours of the existing force of productive labor which is the most desirable method, and second by expanding the number of temporary employees. Any rigid limitation upon the number of hours per week permitted members of the working force necessarily eliminates very largely the first element of flexibility. It becomes necessary, therefore, to meet fluctuating demand largely by expansion of the working force.

This situation encourages the influx of large numbers of men, whose employment can be temporary at best, creating a social problem of no small proportion when the peak employment period has passed. It cannot be too readily assumed either, that in most cases a supply of the kind and numbers of men necessary in a given industry can be found or created in the brief period of time involved.

Experience has indicated that labor is on the whole not sufficiently mobile to meet such brief periods of need. It is rarely practical to afford even the limited training necessary to convert a clerk or building tradesman into a machine operator. On the larger scale, it is not practical, and in most instances, not socially desirable to transplant large numbers of workers from depressed areas into industrial communities, usually located at some distance from their homes, in an effort to meet a temporary demand. The inevitable result is to create a social burden in the place of transplantation even greater than was presented by such unemployed people in the environment to which they were accustomed, and to which they had adjusted themselves.

An example of this is the heavy migrates into the automobile centers during the high demand period of 1928–29 which presented a severe problem to the community in the 3 succeeding years. In fact, this is still somewhat of a problem despite code restrictions on maximum hours and an increased demand in 1934, the output of which practically matched 1930.

In all of these adjustments, whether successfully accomplished or not, there are involved certain very important elements of expense. Large temporary increases in working forces composed in large measure of unskilled, untrained men, involve expense in hiring and

training, in increased supervision, through waste of material and breakage of tools, and in a variety of other ways, which would add very materially to the cost of the product without compensating benefit to the consumer or society as a whole. These increased costs would have to be passed on to the buyers of automobiles and would result in reduction in sales, which in the last analysis would mean that less rather than more employment was provided by the industry.

Following passage of the N. I. R. A., the automobile industry in its desire to cooperate with the recovery program of the administration, accepted a code which consists of labor provisions only and contains no provisions designed to give the manufacturers any power to fix prices or otherwise to increase its profits by collective action at the expense of the consumer. As is generally known, the automobile industry has for many years been noted for the high earnings of its employees, which now average 77 cents per hour under the code.

The weekly hours of productive workers were limited by this code to an average of 40 hours per week with a maximum of 48 in any week, intended to provide the degree of flexibility required by the peculiar characteristics of the industry.

Due to a combination of circumstances, the production requirements of the spring of 1934 reached a high sharp peak and in its application of the "spread-work" theory under the code, the industry employed an extraordinarily large number of temporary employees for a few months at that time. The employment of these additional workers resulted in a marked lowering of efficiency and increase in the final cost of the product. This sharp rise in production would ordinarily have furnished more employment for the industry's regular employees and thus would have raised their annual earnings considerably above those they actually received. It should be noted that these provisions of 40-hour average and 48-hour maximum resulted in the employees securing an actual average of less than 40 hours in the first year of operation. It seems evident that a maximum of 30 hours would result in an average of much less than 30 in this industry. For a given volume of production there is, broadly speaking, a corresponding number of man-hours of employment required, and the extension of employment to temporary employees detracts correspondingly from the employment opportunity of the more steady workers and impairs their annual earning power.

Faced with these consequences of limitation on working hours in an industry characterized by fluctuating demand for its product, the industry has developed certain plans, including a recommendation that the members of the industry concentrate new model introduction in the fall of the year so as to increase employment in the winter months and tend to reduce the usual peak production requirements in the spring.

Under the new plans of the industry it now hopes that it will be able to operate in a manner which will effect an improvement in regularization of employment and annual earnings.

Any rigid limitations of working hours such as are proposed in the 30-hour bill would nullify this carefully developed plan of the industry to overcome the difficulties which developed this year, since it would prohibit the expansion and contraction of the working hours of a stable working force and thus force the industry to repeat

its undesirable experiences of 1934 of adding large numbers of men for brief periods.

What has been said heretofore applies only when a rigid limitation of weekly working hours is made without an attempt to compensate therefor by wage adjustments. It is obvious that any reduction of present levels of weekly hours without compensating wage increase would reduce those now employed substantially to a subsistence level, which would also be the level of earnings of any new employees added by reason of the reduction.

If, on the other hand, a compensating wage increase is attempted, it must necessarily result in an increase in costs of manufactured articles to all classes of consumers, both those whose wages have been increased to maintain the same level of income, and to the vast majority of other consumers whose incomes would also remain unchanged.

Nation-wide limitation of working hours to 30 hours a week would affect each step in production from the raw materials through the various transformations into the finished product. For example, the increase of, roughly, one-third in wage rates all the way along the line, together with the incidental costs, would mean in the last analysis an excessive increase in the factory cost of an automobile. Due to the increased cost of all manufactured commodities while earnings remained at present levels, both new and old employees would find themselves on a bare subsistence basis. All other classes in the community, including farmers, professional men, annuitants, and others, would find themselves confronted with an impossible increase in price of manufactured goods. The inevitable result, it seems obvious, would be a marked reduction in demand for all manufactured goods, particularly for those above the level of bare necessities.

The effect of a rapid increase in the cost of manufactured goods cannot easily be measured. All experience indicates, however an immediate decline in demand of unprecedented proportions.

Whatever its extent, the net effect would be a sharp decline in production and employment as a result of any rigid limitation of hours such as proposed by this law, and an ultimate condition worse than that which it is sought to remedy.

Any rigid limitation of working hours is likely to affect more seriously the smaller companies in a given industry than the larger well-financed companies. If it is assumed that smaller companies in a given industry are now in position to compete with larger companies on an even basis as far as their manufacturing costs are concerned, it is likely to be because the smaller companies' disadvantage in employing a larger percentage of labor in the output of their products is offset by the increased capital costs of the larger companies. Thus, any increase in the cost of the labor element in production will bear more seriously upon the smaller companies than upon the larger.

Any step which promises an increase of approximately one-third in labor costs is very likely to have a disastrous effect upon the smaller companies, who are now experiencing great competitive difficulties, and have a very marked tendency to increase the mortality of small companies and to further centralize industry in a few strong hands.

In the 12 months ending December 31, 1934, there were exported from the United States 242,000 cars and trucks out of a total United

States production in that period of 2,779,000. Thus, roughly, 8.7 percent of total United States production was sold abroad.

On the basis of our best estimate of 485 hours of labor of all kinds in the average car from the raw material to finished product, this export volume represented more than 120,000,000 hours of American labor.

A rigid 30-hour limitation with compensating wage increases would necessitate an excessive increase in the wholesale price of an automobile. When the foreign duty, usually computed on an ad valorem basis is added, it would result in an absolutely prohibited selling price abroad. It would be tantamount to a self-imposed embargo on the export of American cars. The latter compete largely on a price basis in foreign markets. Such an extraordinary increase in price would destroy existing marketing differentials and drive the business in all nonproducing territories into the hands of our competitors in England, Germany, and other producing countries.

The net result of the loss of these export markets, so carefully built up and maintained over the years, will be the loss of millions of hours of work to American workers.

We have made a study and find that 54 percent of this great export business is below the equator, and new models coming on in the fall would give that 54 percent an opportunity of getting their new models in their particular selling season, which would be a real advantage to us. But in doing that we must recognize the fact that a good many people in America, which is the big market, don't like to buy their cars in the wintertime. They are going to buy those cars in great measure in the spring. So as I say it will raise our costs, and in raising our costs we would not be able to sell, because we have found in the past that any time we try to put on an increase the public reacts unfavorably toward it.

To summarize, there can be no doubt of the deep concern of this industry, with its half million employees and of all those throughout the country whose interests are identified with it, in the great changes in existing economic relationships which are proposed in the measure before you.

I have tried to indicate briefly the considerations arising out of the practicable application in our industry as we see them. Any measure which threatens, even with the best of intention, to put the automobile beyond the reach of the average American citizen, concerns not only the industry but almost every man and woman in the country.

I hope that I have made clear to you the practical difficulties in the way of adjusting this industry with its highly fluctuating demand to a rigid limitation of hours, of the substantial costs entailed, whether compensating wage increases are adopted or not, of their probable effect in the increase in cost of the product which is likely to result in reduction in sales both at home and abroad and, consequently, in employment in all branches of the industry. We hope that you will recognize that recovery, as we see it, is well under way, that the automotive industry is doing its full share to hasten the day of complete recovery and full employment for all.

I thank the committee for its indulgence.

Senator NEELY. The subcommittee will adjourn until 2:30.

(Whereupon, at 12 noon, a recess was taken until 2:30 p. m.)

AFTERNOON SESSION

The subcommittee reconvened at the expiration of the recess, 2:30 p. m.

Senator AUSTIN. Mr. Chairman, before we start taking testimony, I would like to introduce into the record a paper read by Dr. Victor Selden Clark, consultant in economics of the Library of Congress, before the convention of American Historical Society, held in Washington, D. C., December 27–29, 1934, on "Machines and Employment in History."

Senator NEELY. Very well.

(The paper above referred to is copied into the record in full as follows:)

MACHINES AND EMPLOYMENT IN HISTORY

Machines and Employment in History, which is the title assigned me for brief discussion, begs a question upon which neither historians nor economists agree. They have no facts that prove a necessary relation between the two. Far less have they facts that measure such a relation if it exists.

To begin with definitions we may assume that machinery means devices which utilize natural forces in processes of production that may be performed with hand tools. But what do we mean by employment? Does it include only workers using machines to make things or to perform services? Or does it embrace also workers engaged in factory supervision, office administration, merchandising, financing, and numerous other vocations accessory to physical production which have grown up in our complex industrial system? Is it measured by the fraction of the population engaged in gainful occupations? Do the age and sex of workers affect these measurements? Who are the unemployed? Do they include equally the idle rich and the idle poor? These and similar qualifications becloud measures of contemporary employment even in our statistics-burdened day. They are hopeless obstacles to such measurements in the age of innocence, before statistics came into the world to reveal our social sins. So far as exact conclusions are concerned, therefore, the theme of this paper lies in the field of speculative history.

If one may exercise the Yankee privilege of guessing in default of facts, I should hazard the conjecture that the idle poor were relatively more numerous in the pre-machine age and that the idle rich are more numerous today. To be sure, society made valiant efforts in ancient times to keep its forgotten men employed by means of slavery, serfdom, and peonage. Yet vagabonds seem to have been numerous in the ancient world, unemployed crowded the tenements of Rome, church fathers denounced the idlers who sang lewd songs in the city streets of the decadent empire, and mendicants thronged the portals of medieval monasteries. Problems of poverty and idleness were a frequent theme of the pioneer economic and social writers of the fifteenth and sixteenth centuries. Even the idyllic Peru of the Incas was compelled to make provision for a pauper class. And on the eve of independence a Spanish visitor in South America was disheartened to discover so many people unemployed and was shocked to find that nothing was more common than to see hands extended to beg a piece of bread in the very regions that produced ample crops. An argument advanced for founding the British colonies in America was that they would draw off the indigent population of overcrowded English towns. In the colonies themselves crises of unemployment taxed the charitable resources of the infant municipalities of Boston, New York, and Philadelphia.

Poverty and enforced or habitual idleness are therefore an ancient evil. They are not peculiar to what we call our industrial system. We do not know positively whether that evil has been aggravated or the reverse by the advent of machines.

England, whose population was affected as much as that of any other nation by the adoption of power machinery, affords no conclusive evidence as to its influence upon employment. During the depression following the Napoleonic Wars her poor rates, which included unemployment relief, were very high; but after 1840, although industrial expansion was as rapid as in the period that preceded, the number receiving public aid and Government expenditures for the support of the indigent declined. Within a single generation, moreover,

persons paying taxes on incomes of less than $1,000 per annum, who presumably included many members of the working classes, more than trebled. So far as history speaks upon the question, it is to indicate that in Great Britain the industrial changes of the nineteenth century, regardless of their effect on the relative number of employed and unemployed, bettered the condition of the working people.

If we narrow our consideration to the strictly mechanical aspects of those industrial changes we find that the assumption that machinery tends to displace more labor than it absorbs is an old one. In 1836, half a century after the beginning of the industrial revolution, a British writer summed up the technocratic opinion of his time substantially as follows:

Machinery is adopted because it enables one worker to produce as much as several workers produced before. Therefore it will throw men out of employment unless it lowers the price of goods until the added market for them creates a new demand for labor as great or greater than previously existed. This second result had happened hitherto in Great Britain and would continue to hold true as long as that country largely monopolized manufacturing by the new methods. He predicted, however, that Britain could not retain her monopoly and that therefore through "the cheapening of labor the time must come when its value will be so small as to make it nearly worthless to the possessor."

Fortunately for Great Britain and the world, labor was not thus cheapened. In fact, the reverse occurred. Sir William Beveridge, who writes with authority on this subject, says in a recent book:

The very common criticism of the existing industrial order which places the root cause of unemployment in the supersession of men by machines * * * is not consistent with the certain fact of a rising reward to labor. If, by the progress of industrial invention, labor generally, not labor in particular forms, were being rendered superfluous and a drug on the market, then its price should be falling. In fact, its price is rising, and rising while that of most other things falls or rises at least less rapidly.

This opinion was supported by both the majority and the minority reports of a Royal Commission on the Poor Laws and Relief of Distress, which devoted 5 years just before the World War to investigating this and related problems. Although the members of this commission recognized that labor is sometimes displaced by machinery, they concluded from exhaustive evidence that this displacement is a relatively unimportant cause of unemployment. As one large employer stated in his evidence:

You, generally speaking, find if you spend 5,000 pounds on labor-saving appliances that you pay more money on wages afterward than you ever paid before.

In speaking of "cranes, elevators, steam diggers", and similar devices which replace the ruder forms of manual labor, the commissioners asserted:

When the naive statement is made that if there had not been this machinery human labor would be employed doing its work, there need be no hesitation as to the reply. Independently of the fact that much machinery—perhaps the bulk of it—is doing what man never did and never could do, and that in many directions, such as puddling, recent inventions have dispensed with severe manual toil and also with physical strain which attended many processes, the sufficient answer surely is that if it had not been for the machinery and the possibilities of existence it brought, there would not have been anything like the present population to employ.

Elsewhere the commissioners discussed the point made 75 years earlier by an author already quoted, to the effect that machinery by reducing costs extends the market for products so that the amount of labor required to satisfy the expanded demand is as great or greater than before machinery was introduced. Admitting that there were exceptions to this rule—for example "no amount of cheapening prices would much increase the demand for wooden legs"—they concluded that "great employers in many cases do not diminish the labor they employ even temporarily" and that it is a general experience that "they increase it permanently." Commenting further, they stressed the fact that if any commodity costs less than before on account of the introduction of machinery, the consumer who buys it has more in his pocket to spend for other things and thus stimulates the demand for labor in the industries producing them. Experience shows that in growing communities wants normally multiply rapidly and add to the call for workers, not only to supply goods for direct consumption but also to produce the machinery, and materials to operate the machinery, with which these goods are manufactured. Furthermore, this augmentation of commodities and mechanical equipment calls for subsidiary labor employed in transport and distribution. Therefore the commission concluded:

The supply and demand of commodities are the same thing looked at from two sides; this being so, every increase of goods is an increase of demand for goods, and, consequently, for the labor which makes them.

This opinion is confirmed in a recent review of this question which appeared in the London Economist last April and American statistics to show that:

Although the output per worker has in general risen, it is quite a mistake to suppose that increasing production has been coincident with decreasing employment. When production has been increasing, employment also has increased. When employment has decreased, production has decreased. This has been true not only of the production of all goods and services but even of industrial production.

If I have dwelt hitherto upon British rather than American experience it is because machinery has influenced economic life longer and perhaps more radically in that country than in our own. Moreover, such evidence as we possess indicates that its effect upon production and employment has been about the same in England as in the United States.

A century ago it was estimated that 150 thousand operatives in British spinning mills made as much yarn as could have been spun by 40 million workers 5 decades earlier. Nearly 40 years ago the United States Department of Labor presented statistics to show that the average farmer with improved machinery raised about 25 times as much grain as did his father or grandfather, and that mechanical improvements had multiplied per capita output in different branches of manufacture from ten to two-hundred fold. During the past 30 years, as the technocrats have abundantly told us, production per worker has advanced far beyond these earlier computations.

Between 1920 and 1930 the number of persons gainfully employed in the United States increased about 17 percent, despite the fact that industry was probably mechanized more rapidly during these 10 years than in any other decade of our history. Furthermore, statistics show that in highly mechanized industries like the manufacture of boots and shoes the number of workers engaged, as well as the average earnings of each worker, increases more rapidly than the number of people in the country. Likewise, since the advent of the motor car the number of persons employed in the United States making and operating road vehicles and their adjuncts has multiplied more than twice as fast as the population. Indeed, the rule that old industries enlarge their field of employment under the stimulus of mechanical improvements, and that new industries use more labor than the obsolete predecessors which they supplant, is very general.

Although machinery may not lessen the total number of workers employed nor lower their remuneration, it may create new kinds of unemployment which did not previously exist. Before considering these we must exclude two ancient causes of hardship among the working people—cyclical and seasonal unemployment. Trade cycles are not peculiar to the industrial age. Whether they have been aggravated by machinery is debatable. We do know, however, that they beset the world with trouble long before the rise of modern industry. Three marked periods of depression are recorded in our own colonial history, none of which was associated with machinery. The first occurred in New England about 1640, when immigration from the mother country ceased, prices of land and produce fell precipitately, and the settlers were reduced to acute distress. About half a century later a second depression spread over the Colonies. Fishing, fur trading, and shipbuilding declined in the North and tobacco crops remained unsold or brought ruinously low prices in the South. Again, about the middle of the eighteenth century, severe droughts, a collapse of paper-money inflation, and wars in both America and Europe brought business to a standstill. Such was the general poverty that 58 towns in New England were unable

to send representatives to the provincial legislature. Farmers petitioned for a remission of taxes, and colonial ports were thronged with idle sailors, fishermen, and mechanics. Machinery had little or nothing to do with the hard times following our War of 1812, when the number of workers employed in the principal industries of Philadelphia fell within 3 years by more than 75 percent. And today, if we dismiss inspirational economics for pedestrian analysis, it is impossible to demonstrate a causal relation between technological changes and the present crisis.

Seasonal unemployment, like the enforced idleness accompanying depressions, antedates modern machinery. Weather and the seasons have always had much to do with the demand for labor. Technical progress signifies man's mastery over nature, whose habits and caprices interrupt human activities less frequently now than formerly. This is notably true of transportation and construction. Indeed, contemporary studies show that as a rule the more highly mechanized industries operate most evenly throughout the year.

Therefore the presumption is that jobs in general are not a function of machinery. Specific jobs, however, are profoundly affected by it. This brings us to the question of technological unemployment.

Any marked social or political change usually affects the distribution and remuneration of labor. During the century following the discovery of America, though not solely for that reason, the population of Spain shifted toward the seacoast. Simultaneously inland manufacturing towns decayed, and their inhabitants were thrown out of work. Since the World War economies in the use of coal and the competition of oil fuel have caused unemployment in British colliery districts. Both of these regional depressions were due to new discoveries, but to discoveries of a very different kind.

During the past 150 years science, invention, and modern economic organization have not only enormously increased per capita output but they have also moved industries to new regions, transferred manufacturing from neighborhood shops and mills to large establishments, systematized hours of work, simplified manual operations, and changed the proportion of the population supplying, respectively, food, raw materials, producer's goods, consumer's goods, and services. Moreover, these forces act upon society with accelerated rapidity. No wonder that thinking people view their possible effects with apprehension.

Every form of progress has its victims. New processes and machines sometimes enable semiskilled female operatives to do work previously performed by skilled male labor, and thus cause temporary or permanent unemployment among the latter class although the total number engaged in the industry may be larger than before. This happened, for example, when the American system of watchmaking with automatic machinery was established at Waltham in the middle of the last century. Centralization of production in large establishments frequently forces the abandonment of local plants, thereby depriving workers where these are situated of their usual ways of earning a living. Thus the decline of many of our small towns dates from the disappearance of village woolen mills, wagon shops, and similar neighborhood enterprises. Again, kinds of skill acquired by long apprenticeship and practice may be rendered valueless to their possessors by the invention of a new machine. Glass blowers represent an unfortunate group of this kind who have not, like the early watchmakers, been replaced by a larger class of less skilled operatives. Even if workers who lose their jobs for such reasons as these ultimately find fresh employment in new vocations it is often at lower wages and after a trying period of idleness.

Moreover, such displacements occur on a larger scale than is suggested by illustrations taken from a single branch of production. Notwithstanding the general increase in employment that occurred in the United States between 1920 and 1930 the relative number of workers engaged in agriculture and in manufacturing declined. That decrease was more than compensated, however, by a rapid rise in the proportion of the gainfully employed supplying personal and professional services. As one writer puts it—

The decline of employment in the mechanized industries, on the railroads, in mining and agriculture, must be set off against increases in the number of actors, teachers, barbers, cleaning-, dyeing-, and pressing-shop workers, to mention but a few of the growing occupations * * *. This past development is one which is likely to continue. First, there was a decline in the numbers required to produce the Nation's food; we shall soon witness a decline in the numbers required to man the Nation's industries; and it will be the service occupations which will take up the slack.

Distrust of the machine may be instinctive in the human race. "In the sweat of thy face shalt thou eat bread" still seems to some an ethical injunction. We need have no fear, however, that the human race will ever entirely escape that beneficent fate. Machinery may take over the task of physical production even beyond the prophecies of those who threaten us with a disastrously mechanized civilization. But our wants are Protean. In all likelihood they will continue to outstrip the possibilities of the machine in the future as they have in the past, and our hands will never be idle for lack of useful things to do.

Senator Neely. General Wood, you may proceed now in your own way.

STATEMENT OF ROBERT E. WOOD, PRESIDENT SEARS, ROEBUCK & CO., CHICAGO, ILL.

Mr. Wood. Mr. Chairman, I want it understood that I am not appearing for anybody or any business organization, and the views that I am expressing are simply my own personal views which are based on a business that, of course, is done with the farmer in the country through the catalog and with the wage-earners in the city through the stores. As far as my own business is concerned, I am perfectly willing to take my chances with the bill.

Senator Neely. You mean so far as Sears, Roebuck is concerned?

Mr. Wood. I mean our employees. I mean that I am not protesting against any increase in our pay rolls that may be caused by this bill. If the other fellow has to have it I am on an equal footing.

I also want to say that I have been very sympathetic to every phase of the new legislation that has come up in the last year and a half. I never opposed any of it. Some of it I have been disposed to question, but I felt that we were in a position where we ought to try almost everything. This is the only piece of legislation in connection with the so-called "new deal" that I feel very strongly is an economic mistake.

I have seen in the last year and a half, for instance, the farm prices of the country gradually moving up, and today for the first time in 5 years we have the index for the products of the farm and the manufactured products just about the same. In my opinion, that is going to lead to a great deal more farm buying.

Now, if through the effects of this bill you are going to get any sudden, sharp increase in manufacturing costs, you are going to put the farmer right back where he was; you are going to stop his buying. I believe buying starts with the primary purchaser. It does not start from the city back to the country; it starts from the country up to the city. That is what we have all lost sight of for the last 20 years.

You are going to stop what we have accomplished so far, and I think we accomplished a great deal when we got the farm and city prices more nearly on a parity. It may reach States in which agriculture has a large interest. I think you are doing something to kill it, something that is going to shock the country.

In the long-term view I think that perhaps my children will see a 30-hour week; just as we came down from 59 to 50 and from 50

to 48 and from 48 to 40, I think we will eventually see 30. We may see lower than that. But you are taking a terrible risk if you do this now. You are going too fast. You have got to wait until machine production is better than it is today.

You are not affecting that statistical abstract, for instance, which shows 48,000,000 gainfully employed. There are not certainly going to be over 20,000,000 by your bill that will get this 30-hour week. You have first got to eliminate 11,000,000 people in agriculture. They are going to pay for it. Then, you are going to have the people in trade. I mean that there are 1,700,000 retail dealers who will not get the 30-hour week. You have the professions. You have the school teachers. There will not be over 40 percent; but if you pass this bill for a 30-hour week the other employees are going to pay for them. It is bound to increase your costs materially.

I quite agree with the advocates of the bill that when you say you reduce from 40 hours to 30 hours it will automatically raise your labor costs 25 percent. That is not correct, but you will raise them some; and it seems to me that our present object is to get manufactured goods into the hands of the people at as low a cost as possible consistent with fair wages. That is just what we are beginning to do, and I think you will see the results of it very soon. I think you will see that this bill will cause quite an economic upset, and I can see every time the relation between farm and city gets out of proportion how your farm buying drops down, and that throws the factory worker out of employment.

I have watched the advocates of the bill that come in here representing labor, and I have no quarrel with organized labor; my firm has been very friendly to it; but most of those leaders are from the great cities. They have no conception of the rural and small-town population, and they are going to pay the cost of it and it will work right back to the factory worker himself.

I presume you gentlemen have been deluged with economic arguments by various people who come here, so I am not going to repeat any of it; but I do know that if you get that parity out we will get into trouble.

I am opposing this bill not from the standpoint of my own firm. If other merchants go to 30 hours I can go to 30 hours and hold my end up, but I am opposing it from the standpoint of the citizens and what I think will endanger my customers.

That, briefly, was what I wanted to say. I judge from the array of witnesses who have come here that you have heard all the economists and the economic arguments on the rise in costs.

Senator NEELY. General, manifestly you are a man of unusual wisdom and experience. We shall be glad to hear anything further that you wish to say.

Mr. WOOD. I have some calculations that I can leave with the committee, just taking the various common articles that we sell through catalog and analyzing the effect. The increases in cost based on increased efficiency ran all the way from 11 to 20 percent. I know the farmer is not prepared to pay it.

Senator NEELY. Do you wish to insert that statement in the record?

Mr. WOOD. I can insert it.

Senator NEELY. That will be done.

(The statement referred to is as follows:)

SUPPLEMENTARY STATEMENT OF R. E. WOOD, PRESIDENT OF SEARS, ROEBUCK & CO.

Mr. CHAIRMAN. I want to say, first, that I do not oppose shorter hours and higher wages for labor whenever and wherever they can be justified. It has been our history for the past hundred years that hours have been gradually shortened and wages gradually raised. I believe that this process should and will continue.

But history also shows that these decreases in hours and increases in wages have been the result of improved machinery and management which have made it possible for a worker to produce more in the shorter working day than he formerly did in the longer working day. Furthermore, history shows that these reductions in hours have followed the advance in machine efficiency and have not preceded them. Labor demanded the 10-hour day for 30 years before technical advances made it practicable actually to adopt the 10-hour day. The same was true of the adoption of the 8-hour day.

I have sometimes been asked why I am opposed to the adoption of the 30-hour week, when as a member of the N. R. A. Industrial Advisory Board I approved the reduction to the 40-hour week. The answer is very simple. There was evidence to indicate that we have advanced technologically since 1929 to the point where the 40-hour week is practicable to produce the volume of goods needed for a prosperous condition in this country, but the evidence is clear that the 30-hour week would not produce the required or desirable volume of goods. I believe I need not go into this in great detail. The Brookings Institution has made probably the best studies along this line, and their figures show an average work week of 51 hours in 1929.

With only slightly more than our normal unemployment in the United States in 1929, it required an average of 51 hours of work per week to produce the volume of goods we then required. We may make a small reduction from this figure to allow for the reduction in our exports since 1929, although in the long run this must be offset by a reduction in imports. Then we must make an allowance for increased efficiency of machines and men since 1929. This will vary greatly with industries. Certain industries (possibly the shoe industry) have been able to speed up production by one means or another to the point where they may be ready for a 30-hour week. But others have made little progress. Lack of money to buy new machinery, or even to maintain old equipment in good condition, has materially lowered efficiency in some plants.

One point that needs to be emphasized in this connection is the fact that what appears to be increased efficiency is in so many cases merely the speeding up that has resulted from weeding out the less efficient employees when some had to be laid off or discharged. Some highly unionized industries were, prior to 1929, notorious for their studied restriction of production by each worker. With the threat of discharge before them, many such employees have found it expedient to produce nearer to their capacity. This factor may account in part for the increased production in the shoe industry referred to above.

Even with these factors in operation, however, the outside figure that the Brookings Institution could set for average increased efficiency since 1929 was 25 percent. And it is generally admitted that this figure is much too high.

But assuming for the moment that the 25-percent figure is correct and applying this to the 51-hour week worked in 1929, we find that it would take at least a 40-hour week to produce the volume of goods available for domestic use in 1929.

So the N. R. A. 40-hour week is justified, but the 30-hour week is not. Furthermore, the reduction in hours under the codes is elastic and can be made to fit the industry, while to write a 30-hour week into law would develop a highly inelastic situation that would be difficult to fit into practical use.

Neither is there any reason to believe that reduction from the present 8-hour day for 5 days per week, to a 6-hour day for 5 days, would result in any material increase in efficiency by the individual worker. Considerable increase in personal efficiency did result when the 12-hour day was cut to 10 hours, and in lesser degree when the 10-hour day was cut to 8. But now that we are on the basis of 8 hours for only 5 days per week, there is not much reason to expect further increases in personal efficiency by cutting down to 6 hours.

To reduce to the 30-hour basis at this time could mean but one thing, namely, a reduction in the total amount of goods which we all have to divide among us; that is, a reduction in the standard of living.

What the worker wants now is not more leisure, but more things. And more things can be had only by more rather than less production.

As a practical business man, a merchant who comes into direct and intimate contact with the buying public, the thing that gives me the greatest concern in this 30-hour-week proposal, is the practical certainty that it would result in a tremendous buyers' strike. This would, of course, be followed by a closing of factories and the discharge of employees. In my opinion, the net effect of adopting the Black bill would be that within 6 months we would find fewer people at work than today.

The statements of a prominent labor leader before this committee to the effect that the adoption of the 30-hour week would raise prices only 3 to 3½ percent, despite the 33⅓ percent theoretical rise in labor costs involved in most industries, will hardly be taken seriously by this committee, I trust. Other data in that same statement completely refute that assertion. This very serious error results from the fact that they have inadvertently computed the increased labor cost on only one step in the process of transforming the raw material into the finished product sold and delivered to a point where the consumer can use it.

A finished product such as a house, for instance, is nearly all labor, with the exception of interest, taxes, and depreciation on the machines used in producing it, and whatever profits may be involved in the various stages of transforming the standing trees, the iron ore, the clay, and the other raw material into the finished product. It has been estimated that labor alone will account for 80 percent of the cost of a completed house. Applying a 33⅓-percent increase in labor costs would, therefore, mean something like a 25-percent increase in the final cost of the house to the purchaser. The increase might even be greater than that because of the pyramiding of one increase on another, although this tendency might be offset by some absorption of increased costs by manufacturers.

I have had our research department look into this matter of increased costs that would result from the adoption of the 30-hour week. We have made some studies on goods which we ourselves manufacture and have also obtained data from manufacturers from whom we buy. The data from manufacturers show three general subdivisions of increased costs, namely, (*a*) increases in prices of raw materials, (*b*) increased labor costs in the factory, and (*c*) increased overhead.

These figures do not show the full picture because they do not include increased transportation and selling costs. Neither do they include increases in the costs of machinery, factory buildings, and other capital goods. These latter would not, however, increase suddenly, so may be omitted for present purposes. Some of these increases (not including increased selling costs) run as follows:

	Percent
Boys' wool suits [1]	20.8
Men's wool suits	21.6
Men's wool pants	22.5
Men's overalls	16.0
Men's cotton shirts	20.1
Men's shoes	15.5
Low-priced bedroom set	13.7
Electric washing machines	17.5

I am filing with the committee the more detailed data as to how these increases are calculated.

Our transportation department calculates that under the proposed 30-hour law, costs of truck transportation would be increased by 40 to 50 percent in the larger towns and 35 to 40 percent in the medium-sized towns.

It seems perfectly evident to us, based on our rather wide merchandising experience, that a sudden increase of 15 to 20 percent in the selling prices of consumer goods would result in a revolt on the part of buyers and a very material falling off in purchases. We have seen numerous instances within the past 2 years where prices of an article have risen so fast as to run into a buyers' strike. This was true in cotton goods last year. It was true of automobiles in the early months of 1934, and it has been true with numerous other specific items of merchandise. In such cases, prices have had to be forced down, even to the no-profit level, before goods could again be moved in volume.

In our own case, selling largely to farmers, villagers, and workingmen, there would be no increase in income with which to buy these higher-priced goods. Farmers certainly would have no more money to spend because of the 30-hour law. On the contrary, the parity between agricultural prices and city prices, which the Government has been striving so hard during the past 2 years to reestablish, would again be thrown out of balance and the interchange of goods disrupted. Villagers who depend mainly upon the farmer for their income would have less money to spend (if more of the farmer's dollar must go to the cities to pay for goods and services). Even those workmen now employed would have no more money in their weekly pay envelops with which to buy goods. All these large classes of consumers would simply have to buy less—whether they go on a buyers' strike or not—for the simple reason that they would have no more money to spend yet would have to pay from 15 to 25 percent more for each article purchased.

This would mean fewer units of goods sold, therefore fewer manufactured, therefore many employees discharged.

It is doubtful, therefore, whether the adoption of the 30-hour week would actually reemploy many persons. Certainly it would not go very far toward absorbing the present 7 million or so whom we must ultimately reemploy. The truth of this statement is more clearly evident when we consider that the bulk of present unemployment is in the durable or capital goods industries which certainly would not be stimulated or helped by the inevitable increases in prices incident to this proposed legislation.

It is my belief that recovery to be real must be expressed in terms of increased production and distribution of goods and services. Furthermore, renewed prosperity must start with the basic producer, particularly the farmer. Dr. Louis H. Bean, economist of the Agricultural Adjustment Administration, urges a restoration of industrial production "at least in line with the relatively higher level of agricultural production and the restoration of agricultural prices in line with industrial prices." Only in this way, he stated in a public address on January 31, 1935, "can we achieve a balance which in the long run will mean an increase in real wages to workers and an increase in the purchasing power of farmers." The adoption of the 30-hour week would operate in exactly the opposite direction.

Against all these overwhelming disadvantages of the plan, what possible benefits could result?

The only benefits claimed by its proponents are that it would put people to work, take them off the tax-supported relief rolls, and increase buying power.

Let us examine these claims briefly. Since those persons now employed would get no increase in their weekly pay envelops but would suffer an actual cut in real wages to whatever extent prices are increased, the only persons who could benefit would be the newly employed who, as we have already pointed out, would probably be very few in number. Even on the rash assumption that enough workers would be absorbed by industry and business to keep up our present rate of production and distribution—say, by absorbing 3 or 4 million workers not now employed—we as a nation would still have no increase in buying power as compared with today. All the increased buying power of these 3 or 4 million workers would be much more than offset by the decreased buying power of all the rest of the population, including workers, farmers, white-collar men and investors.

All that could possibly be accomplished by this plan, even taking the most optimistic view, would be to transfer a few million workers from the tax-supported relief rolls and place them on the backs of the rest of the population through the medium of requiring everyone to pay higher prices for goods, out of the same income as before, and therefore each consuming less goods.

Taking the less optimistic, but more practical view, this plan would probably precipitate a buyers' strike within a few months, cause increased unemployment, destroy confidence, and throw us back into the depths of depression.

This plan would rob us of the chance we now appear to have of working our way back to prosperity through increasing production. Business is on the upgrade, confidence is returning, and there is every reason to expect gradual reabsorption of workers, increased production of goods, and a greater total income to be divided among us all.

[1] Woolen mills are on a 40-hour basis, while clothing manufacturers are on a 36-hour basis.

It would be tragic to inject this new element of uncertainty, this block against increased production, just when business men are beginning to feel that they can see the natural and safe way out.

Senator HATCH. Your belief, General Wood, is that if agriculture can be restored to where it has a purchasing power they will put that money in circulation?

Mr. WOOD. Yes.

Senator HATCH. And industry will be benefited by restoration of purchasing power?

Mr. WOOD. Absolutely. I can see a practical example of that. What happened in the spring and summer of 1933 when we went off gold? The manufacturers raised their prices to merchants and their margins. The merchants raised their prices by the price the manufacturers asked them, and they raised their margins. The result was that in the spring of 1934 the price of manufactured goods got ahead of the consumers' purchasing power. The manufacturer began to drop his prices last summer. The merchant followed suit the latter part of the fall of 1934. The result is that though raw materials have risen, the prices of the finished goods are lower this spring than they were a year ago, and your buying is beginning the moment those prices are dropped, your sales begin to go up, and that means more production and more employment.

Senator HATCH. You do not believe in the theory that lower prices for farm products and lower wages to laborers furnish a certain way out of the depression?

Mr. WOOD. I certainly do not.

Senator HATCH. I do not either.

Mr. WOOD. I do not, and mind you, I am not quarreling with the reduction of hours. I am saying that perhaps you might reduce hours from 40 to 38 in certain highly mechanized industries.

For instance, we operate paint plants. The labor cost of a dollar's worth of paint is only 8 percent. We could reduce from 40 to 30 hours in a paint plant and it would not make any particular difference. On the other hand, it would increase the price of paint, say, 2 cents on the dollar. It would put very few people to work because there are very few people in a paint plant.

But this is cumulative, of course. It goes back to raw materials. However, as I see it, out of these 48 million, 11 million are in agriculture. I have thumbed over this statistical abstract table. You have your 11 million in agriculture. Mind you, that includes the foremen and owners and a lot of people who will not go on a 30-hour week. You have 6 million in trade of whom 1,600,000 are proprietors. You have your school teachers and your professional men. You cannot possibly apply a 30-hour week to over 20 million of them, and the other 28 million would be working longer hours, and that includes these 11 million farmers who are going to pay for it. You will get out of balance again, and when you are out of balance you stop the wheels.

If you will permit me to say so, I think this bill is a serious economic mistake, and I want to say that it is the first kick I have registered on any law that the last Congress, or this Congress, passed. I simply refused to protest or view with alarm. I have been perfectly willing to go along with the whole thing and see how it worked out, and I have not been alarmed; but this one bill I am afraid of, and I certainly hope that unless it is very much modified you will not make the leap that this bill proposes, as I think it is going to block your gain.

Senator NEELY. Is Mr. Hough present? If he is not, Mr. Dietz, we will hear you. You may proceed for 15 minutes.

STATEMENT OF CARL F. DIETZ, REPRESENTING THE WHEAT FLOUR MILLING INDUSTRY

Mr. DIETZ. In presenting this statement, I represent the wheat flour milling industry and am authorized by the president of the Millers' National Federation, to appear before the Judiciary subcommittee of the United States Senate.

The flour milling industry is a 24 hour per day operation. Because of the necessity of mechanization its employment is not large as industries go, but did employ, prior to the code, approximately 21,000, of which number about 17,000 were employed in the mills and elevators. The production per employee is naturally made higher in the larger and more mechanically developed units than in the smaller mills, although the latter represent by far the greater number.

Operating schedules are quite varied and while some plants with relatively limited capacity due to their respective trade positions are able to run 5, 6, and even 7 days per week, many others rarely ever arrive at a full week's operation. In practically all plants there is a wide discrepancy during the crop year between weekly operations due to seasonal requirements, frequently varying by several days out of a week's run.

The great marginal capacity available results in the milling industry operating at just about 50 percent of its actual capacity spread over the year. There are times when the operations are substantially under 50 percent and other times when the peak demand is on the average may run as high as upwards of 70 percent. Some of the units of the industry rarely operate even at 50 percent, while others have a substantially higher average running time.

Prior to P. R. A. very few units in the industry followed an attempted operating schedule of less than 48 hours per week, while large numbers of them operated 54, 60, 66, 72, and even longer hours. Among the smaller units it is not an uncommon practice to operate during daylight hours only. This is, however, not the best practice, since the starting and stopping invariably throws off the quality of flour and requires a certain amount of rehandling of the first run when the next operation begins.

The industry has suffered from grievous decline in per capita consumption in the United States as well as a very heavy loss in its export business. As testified to at the time of the code hearing a year ago, the average consumption per capita in the United States during the crop year 1910–11 was 1.067 barrels, which in the crop year 1931–32 fell to 0.84 barrel. Based on our present population, this alone amounts to approximately 28,000,000 barrels less than the milling industry would be producing if the per capita consumption of 20 years ago were maintained. In terms of wheat, this per capita shrinkage in consumption amounts upwards of 125,000,000 bushels.

A further serious shrinkage has taken place in export business. From a normal annual report of approximately 12,000,000 barrels 20 years ago, this has now dropped to 5,000,000 or less, due to the differences between the domestic and world wheat price and higher milling costs.

The reasons for the shrinkage in the per capita consumption are manifold. First, quicker and better transportation of fresh vegetables from distant areas into urban centers and such products not dependent upon industrial labor. Second, the aggressive introduction of a variety of package and canned goods. Third, greater diversion in everyday life claiming the housewife's attention and interest toward and in other activities than bread baking, and limited facilites in the modern urban home. Fourth, the effect of slenderizing in the female population. Fifth, ill-conceived propaganda against white flour. Sixth, lack of united effort by the industry toward maintenance of promotional activities. Seventh, advent of the processing tax.

With the introduction of shorter hours under the P. R. A. a sharp increase in employment took place and which was further somewhat augmented by the more substantial enforcement influence under the code.

The average labor cost for the industry as nearly as can be estimated under P. R. A. was increased from 4 to 5 cents per barrel, or from 20 to 25 percent average, which for the industry means approximately $5,000,000. With the full effects of the code provisions this increase will be somewhat greater. The substantially lesser production adds, of course, other burdens as well.

Because of the operation being a continuous one and large volumes of material handled per unit of time, the actual labor cost in the production of a barrel of flour is relatively small—however, it represents a very substantial proportion of the total expense involved (exclusive of the cost of wheat and taxes) in the grinding of the requisite amount of wheat for the production of such barrel of flour. For the crop year 1933–34 the average cost on some 60 million barrels of flour for power, elevator, and mill labor was approximately 20 percent. There is, however, a considerable disparity between mills of small production as compared with those of large production, ranging in those mills producing less than 50,000 barrels annually from nearly 30 cents down to and from 17 to 18 cents in those producing upward of 1,600,000 barrels.

This is perhaps a direct evidence of the relative degree of mechanization between small units and large units and a perfectly logical expectation, in view of the need of a relatively greater degree of mechanization in units handling large quantities. A flour mill either runs or does not run. All machinery is synchronized, each piece of apparatus taking its stream from some other machine ahead of it. Stoppage of any one operating machine clogs the whole system. The number of men to be carried on a pay roll represents that number of men required to operate the plant as a whole and is not subject to variation due to dropping certain machine tenders here and there according to the volume of business handled.

By far most of the output of the milling industry goes into interstate commerce, although there are a number of units of purely local character, some merely grinding the nearby farmers' wheat mostly on an exchange basis, and unless situated on or near a State line can be said to be purely intrastate operations.

The distribution of milling units in the United States is represented by the blueprint attached, and although no complete since only 1,509 mills are shown (many of which are not now operating), it is confined to those whose output was more than 2,500 barrels in 1932. There are upward of 2,000 additional units operating on a very small scale and only during a small portion of the time considered noncommercial.

The map shows many mills located at or near State lines and which do interstate business—however, they are locally in competition with nearby mills who would not be affected by this measure and would, therefore, in such areas be wholly incapable of competing.

Under the code with its 40-hour standard week for medium and large mills, the reduction in average hours worked by mill employees was so substantial as to require a very considerable increase in the number of employees. It must further be pointed out that because of the nature of the product the reduction in employees during the depression period was relatively moderate as compared to other industries which suffered a far greater loss of output.

Since code administration was undertaken, analysis of observance of code requirements has been going forward with the result that preliminary figures indicate a far greater increase in employment since June 15, 1933, than was anticipated. While the following figures are by no means complete, it may be assumed that they represent a fair cross section of the industry as a whole.

According to the code there are three classifications of mills:

A. Mills with a 24-hour capacity of 300 barrels or more.

B. Less than 300 barrels, but more than three workers including owner operators.

C. All mills operated by less than three such workers.

The C class mills, of which there are upward of 1,500, were not seriously affected because in the majority of instances they are operated by the owners themselves.

The investigation referred to above indicates from data immediately at hand in five milling regions as follows for the A and B class mills.

On June 17, 1933, 266 of these companies had 5,588 employees in mills and elevators which have increased under the code to 6,895, or 23 percent. Likewise, office employees in 208 mills increased from 1,104 to 1,199, or 9 percent.

Accurate figures with respect to hourly wage rates are not yet available. However, these have very sharply increased, particularly in the mills other than in the large northern urban centers where the rates already were substantially higher than code minima, and even in the latter, increases of no small moment have taken place.

The industry has quite generally reduced its operating time per worker by upwards of 20 percent and has attempted to accommodate itself to a difficult operating schedule because of the reduction in weekly hours, especially in those centers where operating time has been on a longer weekly basis.

Senator NEELY. How much of that increase has the mill passed to the consumer?

Mr. DIETZ. I doubt whether any of it was passed on to the consumers. The competitive situation is greater than it has ever been in 25 years, and the conversions realized are of an appealing character. It is a question whether any of it could be passed on under those circumstances.

Senator NEELY. Are the mills which are doing an interstate business owned by a large number of different concerns, or are they subsidiaries of two or three large companies?

Mr. DIETZ. By far the large majority of them are individually owned concerns. There are 4 or 5 large chain companies that have from 6 to 12 mills.

The industry has quite generally reduced its operating time per worker by upwards of 20 percent and has attempted to accommodate itself to a difficult operating schedule because of the reduction in weekly hours, especially in those centers where operating time has been on a longer weekly basis.

In almost all localities many units are standing idle. Also there have been sharp reductions in available capacity by actual scrapping. It is estimated that in the last 5 years 6 major companies scrapped roughly 44,000 barrels per day capacity.

Employees in this industry are now finding it impossible to obtain their full year's quota of work of 2,184 hours for the reason that the irregularity of operations of necessity yields a number of weeks per year when the full weekly permissible number of hours are not available to them, and thus far there is no provision whereby the workers can make up such time during subsequent weeks when the mill in question has the opportunity of giving them such time.

A reduction to 30 hours maximum per week would make it utterly impossible in this industry for the operatives to actually get their 1,560 hours, and it would probably mean an average work week of 25 hours or less instead of 30.

Typical examples of irregular operations are shown by the record of a few mills picked at random:

Annual operation in percent of capacity

Crop year	Average	High	Low	Crop year	Average	High	Low
1932-33	74.9	91.3	61.3	1931-32	79.9	97	56.9
1931-32	70.8	84.9	54.9	1932-33	59.8	98.7	36.1
1932-33	50	67	35.6	1931-32	73.5	100	47.6
1931-32	51.5	68.6	39.6	1932-33	69.3	94	51
1932-33	72.3	91	53.2	1932-32	66.5	98	29

From this can be realized the great fluctuation in working hours per week available to the mill crew at different periods of the year.

Furthermore, there are instances where the seasonal demand requires 7-day operations—particularly true at deep-water mills largely dependent upon ship loading. Any restriction as to running time would be disastrous and it is utterly impossible to keep a mill crew sitting by idly much of the time, awaiting such periodic runs, even if skilled operators were available. Milling is still largely an art, requiring many years of training and in each case intimate knowledge of the mill in question, its flow arrangement, and standards of quality.

Many milling companies depend largely upon the purchase of grain from the farmer. The latter's hours are not and cannot be regulated—he brings in his wheat when convenient. The movement is seasonal and usually for 2 to 3 months, or thereabouts, almost unlimited service is necessary. The rest of the year the elevator men, while on the job, have no really arduous tasks. It would be impossible to find men in these small communities with knowledge of wheat, grades, values, and binning for a few weeks' work in the year.

Also, maintenance men and mechanics could not be increased without altogether undue burdens. Such men must be familiar with the plant and available at any and all times to keep the plant in condition to operate.

Senator AUSTIN. Is that due to harvesting time?

Mr. DIETZ. Yes; and due to dislocations in the wheat area this year. That immediately affects the prices and it affects the purchases related to those particular areas. It varies very widely and very uncertainly. We have no way of prognosticating what the trouble is. There are instances where our seasonal demand is for a 7-day operation, and that is particularly true in mills located at deep water where they have coastwise shipment. Any restriction as to running time in a case of that sort would, of course, be disastrous. If we had a 30-hour week and a 6-hour day a man would be permitted to operate 5 days. That mill is called upon to operate for 6 and 7 days. It would have no way of operating. It cannot carry a stand-by crew in order to have it jump in and operate the sixth day. They do not know the standards of the plant. The operation of a plant is more or less an art. It would mean that the milling operation could not be conducted on anything like an efficient basis.

We find also that the switching from shift to shift causes a good deal of difficulty. The man coming on has to overlap with the man going off a shift, and he has to know what has been going on from his immediate predecessor on the shift. It causes confusion and losses.

Hundreds of mills also depend upon the purchase of their grain directly from the farmer. The farmer brings his grain into a mill when it is convenient for him to do so, either very early in the morning or late in the evening, or sometimes it happens that it is convenient for him to do so during the middle of the day because his other chores on the farm make it convenient for him to bring the grain it at that time.

We must have at every one of these stations a skilled grain man and elevator operators. It is not only a question of taking wheat in and off the wagon. He has to know wheat, he has to be able to grade it, and he has to know what the current value is so far as that particular market is concerned. We just cannot find men in these small communities. That pressure only lasts about 2 or 3 months in the year. The rest of the time those men have an easy job, but they have to be there to serve the farming community in which the mills are located. Any limitation on time is utterly impossible.

We have also the question of mechanics. No two mills are exactly alike, although they are patterned pretty much on the same general

principles in arranging their flow. However, the mechanics must know that particular plant. It is very complicated, and unless they do know the plant they cannot do their work. So we could not keep excess mechanics around there to take care of these repair and maintenance operations in order to keep the plant going when half the crew would be idle at least half or two-thirds of the time.

Senator AUSTIN. Is there any hazard of human life in the warehousing of wheat?

Mr. DIETZ. No; we do not regard it so. It is probably an average hazardous occupation. When we were called upon to make a statement as to the hazardous occupation of a flour mill we could not make up our minds that any of them were.

Senator AUSTIN. There are some explosions?

Mr. DIETZ. Yes; and we are taking the best possible care to remove dust from the mills and elevators in order to do away with the explosion hazard, and I think the record is showing up pretty well. They are not as frequent as they used to be.

In a 24-hour continuous operation of this character a 30-hour week is utterly impractical since the shifts cannot be arranged in such manner as to give each employee a full work week. It is obviously impossible to carry along a standby crew to be called upon when, as, and if required.

On a 5-day running basis and 6 hours per shift an alternate crew or a second crew to man the mill during the peak periods requiring a 6- and 7-day operation, would have much idle time besides many weeks in the year with no work at all. If a 4- or 5-hour shift were adopted and the average running time in most mills not over 4 or 5 days a week, it would reduce the earning period per worker to a matter of 20 or 24 hours, the burden of which would be untenable from the standpoint of increased cost, poor efficiency, and general dissatisfaction on the part of the workers.

There is no way whereby uniformity of operations can be secured. The business is more or less subject to peaks and valleys because of the characteristics inherent to it, and flexibility is an absolute essential. The increased burden that any such program as the 30-hour week, even if it were applicable, would add, which on the straight arithmetical calculation would be 33⅓ percent alone, goes far beyond economic possibilities for the industry to absorb. Many mills already on the ragged edge would be forced to close. Further curtailment in the use of its products with repercussions upon the grower of wheat would be inevitable.

Export business, such as it is, would have the final seal of doom set upon it. Small mills which already are having a very difficult time to maintain themselves would probably shut down by the hundred. Mechanization by those who could survive, to even far greater extent than anything yet attempted would of necessity take a tremendous stride. Such would be forced by competitive conditions not only within the industry itself but because of other food products competition, and influenced by an attempt to hold as much of the export business as possible.

Now, take our Buffalo situation, or the Pacific Northwest, Tacoma and Seattle, and on the Gulf coast, where we do have 7 possible operating days in the week. On a 6-hour basis they would be limited to 5 days in the week definitely. The only thing we could do

would be to cut to a 4-hour shift. In shifting from one shift to another so many times a day it would cause confusion in the mill. We are grinding to specifications all the time, and it is just a thoroughly impossible situation.

Then, if we have to work on Saturdays and Sundays there would be no crew to operate. Their time would be used up, and the mill stays there idle with boats standing at the piers and collecting demurrage.

As I say, under those circumstances the average of the operating week would probably not exceed 24 or 25 hours.

Senator AUSTIN. If you went onto a 4-hour shift, what difference would there be in the wage cost?

Mr. DIETZ. If we went on a 4-hour shift from an 8-hour shift it would be 100 percent

Senator AUSTIN. That is, this bill would require you to pay as much for 4 hours as for 8 hours?

Mr. DIETZ. Yes; or for 8 hours. Of course, an 8-hour mill has to go to a 6-hour shift. It probably never could afford to go to a 4-hour shift.

Senator NEELY. How many hours now constitute a week in your industry?

Mr. DIETZ. Per worker?

Senator NEELY. Yes.

Mr. DIETZ. We are trying to work to a 40-hour week, but the men are averaging more nearly 32 to 35 hours. The export business, as I have already indicated, is very much shrunken, and any further burden on the milling industry would just about seal its doom. There is no way we know of that we can possibly hope to compete with Canada and Australia if we have any further burdens put upon us.

Senator AUSTIN. Do you mean in our markets?

Mr. DIETZ. No; in foreign markets.

Senator AUSTIN. What would be its effect in our markets?

Mr. DIETZ. Unquestionably the consumption of flour would be immediately affected downward at a more accelerated pace than we have already experienced. I do not think there is any doubt about that.

Senator NEELY. What part of the output of the mills of this country is exported?

Mr. DIETZ. At the present time it is only about 5 percent. It used to be 12 to 14 percent.

Labor working substantially less than 30 hours per week could not maintain itself even at an adjusted hourly rate which is already high as compared to other industries and the sharp increase required to maintain anything like a satisfactory standard of living would be utterly impossible of adoption without disaster to the industry as a whole.

Ample evidence is available to testify to the fact that increased costs have not been and probably cannot be passed on. The interindustry competition, as well as the competition against wheat substitutes is far too manifold and aggressive.

The inevitable result of reduced consumption would increase the number and use of wheat substitutes with a further unhappy effect upon the wheat farmer and the piling up of greater surpluses. The

net result would be less employment rather than more and the possibility of a miller conducting a solvent enterprise very much placed in jeopardy.

We are presenting this to you with the conviction, that after having studied it carefully, the application of a 30-hour week for this industry is just economically absurd, and I question whether one single iota of it could be passed on to the consumer. The competition of other types of substitute food products is so intense, with a large marginal capacity existing in this industry, that an attempt to pass that on would be frustrated almost immediately.

Senator NEELY. Mr. Hough, for 7 minutes you may proceed without interruption.

STATEMENT OF NORMAN G. HOUGH, PRESIDENT AND GENERAL MANAGER NATIONAL LIME ASSOCIATION, WASHINGTON, D. C.

Mr. HOUGH. The National Lime Association represents the lime industry of the United States. Lime manufacturing is a basic raw material industry supplying lime and liming materials to farmers for use upon farm land, lime for construction, as well as various grades of lime products for many chemical industries in which lime is used as a reagent, and for other industrial uses for which lime is a raw material.

Lime manufacturers are apparently without exception, opposed to any Congressional legislation which is designed to impose arbitrarily a 30-hour week upon industry. The present proposals contained in S. 87, if enacted into law, will force many small lime manufacturers to suspend operations; will destroy the constructive efforts of the past 18 months during which time our industry has been cooperating with the Government under the provisions of the National Industrial Recovery Act; and, furthermore, will do much harm to the workers whom it is designed to benefit.

The lime industry is composed of upwards of 300 manufacturing plants located in many States of the Union. Under normal economic conditions, the annual production of lime products is approximately 4½ million tons, valued at about 40 million dollars. During 1933, production was about 2¼ million tons, valued at approximately 14¼ million dollars. The lime industry at present is operating at less than 30 percent of its productive capacity.

The lime industry provides materials for both durable and nondurable goods industries. Under the present depressed conditions in the construction industry, the percentage of building lime has become relatively small, amounting to only 23½ percent of the total in 1933. In that year, 10.8 percent was sold for chemical or industrial purposes, the steel industry, paper mills, water purification plants, glass works, and tanneries being the principal consumers. It is apparent, therefore, that the prosperity of the lime industry depends primarily upon conditions within the construction field, and to a secondary degree, to conditions within the several chemical and other manufacturing industries.

Certain other features of the industry are particularly important in connection with such inflexible and arbitrary provisions as the Black 30-hour bill.

First, prior to the National Industrial Recovery Act, many lime plants were operating upon a 60- to 70-hour workweek, with minimum wages in the South similar to those prevailing among other industries, with hourly rates usually between 10 and 18 cents per hour for unskilled labor. The lime code, effective October 13, 1933, established a maximum workweek of 40 hours, and a minimum wage rate of 30 cents an hour, which has proven to be a higher minimum, by the way, than in many other codes in southern territory. The operating units, particularly through the South, have had no little difficulty in adjusting themselves to what obviously was a drastic dislocation brought about by the code, and it is apparent that any further shock pending general industrial recovery and revival in construction must inevitably cause many casualties, particularly among the smaller manufacturers.

Most lime plants are located in rural communities. Lime kilns must be located at or near suitable deposits of high-grade limestone, and, therefore, the occurrence of limestone deposits has been the controlling factor in the location of the individual units of the industry. Small communities have grown up at or near the lime plants, and inasmuch as lime production, up until the depression, had been fairly constant for at least a generation, an adequate balance had been established between the labor demand and the labor supply. Unemployment developed during the depression, but the industry as a whole has taken up much of this slack under the P. R. A. and the lime code. In many lime-manufacturing communities there is at present no surplus of skilled labor essential for lime burning. Furthermore, many months, if not years, are required to make a skilled lime burner out of a green recruit.

Lime burning is a continuous operation, 24 hours a day and 7 days a week. In such continuous-burning processes the 6-hour shift is too short for adequate supervision of the kilns, and members of our industry state that where four shifts come on during the 24-hour period the quality of the finished product generally is inferior because of the frequency of personnel change and the lack of responsibility on the part of any particular shift. It is obvious that any continuous operation with occasional shut-downs for relining of kilns or for other necessary repairs, and periodic lay-offs for lack of business must necessarily have some degree of flexibility insofar as the hours of work are concerned. Furthermore, lime is a perishable product, not amenable to storage. To limit the workweek to 30 hours must necessarily penalize workmen who are unable to make up during active periods for the lack of earnings during slack times, as well as providing much real grief for the conscientious operator who suddenly finds that he must run his plant at full capacity for a brief period, and yet has an insufficient labor supply to stay within a 30-hour restriction. In such case he must simply refuse business.

It must be remembered that a maximum 30-hour week does not mean that employees will average during the year 30 hours for each 7-day period. A 30-hour week does not fit a continuous operation such as lime burning. There are 168 hours in a week. Five employees working 30 hours leave but 18 hours for the sixth man. In practice a 6-hour day—30-hour week—would mean an actual workweek for each man of 21 to 28 hours, even under the most favorable

operating conditions, and during the year probably would be even less due to shut-down periods.

The lime industry strongly objected to the original 30-hour week bill as introduced in the House of Representatives, and upon which the Committee on Labor held hearings 2 years ago. A statement was made by the National Lime Association on May 1, 1933, which cited many objections to a rigid 6-hour day and 30-hour week. It was pointed out that such a law was not practicable; that it provided no protection against imports; that it discriminated between interstate and intrastate plants; and that the results of such a law would be prejudicial to the best interests of labor.

The lime industry, however, was generally in accord with the principles of the National Industrial Recovery Act, and was one of the first of the mining and quarrying industries to secure a code of fair competition under the N. R. A.

The industry today wishes to repeat its objection as originally voiced, and to point out specifically why it objects strenuously to the present proposals.

The Black bill is diametrically opposed to the principles of the National Industrial Recovery Act, and would destroy the N. R. A. By this proposed measure, present labor provisions of codes are mostly eliminated and replaced by iron-clad restrictions, with exemptions given only by the Secretary of Labor. Remove considerations for labor from N. R. A., with all the ramifications which lead to and support unfair trade practices, and there is little left. The code system provides a proper degree of flexibility both as to labor provisions and marketing practices, and this degree of flexibility is a necessity if the mutual objectives of Government, labor, and industry are to be consummated. The Black bill is nearly inflexible as to maximum hours, and is vague as to minimum wages. It gives no practical consideration toward individual conditions and problems, differences in size, location, and kind of products, and a host of other factors which must be considered when formulating rules of fair competition.

The Black bill is, we believe firmly, contrary to the best interests of labor. Imposition of a maximum 30-hour week would penalize thrift, inevitably would lead to lower weekly, monthly, and annual income of workers, and, in our judgment, would create a great deal of unrest and opposition among the employees within our industry. The better type of workman is ambitious, is desirous of bettering himself, and the economic status of his family, and generally is desirous of getting in all the time he can in order that his pay check may be sufficient not only to cover the actual needs of himself and his family, but to provide a slight surplus for luxuries. This spirit of ambition must be encouraged if we are to maintain opportunity for those who are more ambitious than others. The 30-hour bill must inevitably destroy ambition and initiative.

Further objections to the Black bill depend upon two premises; first, if the bill can be enforced, and second, if the bill cannot be enforced. We believe strongly that this proposed legislation cannot be enforced short of a military dictatorship. However, providing that compliance were possible, the Black bill would ruin many small

producers who are without financial resources to carry the additional labor cost. This additional labor cost in lime products would be at least 25 to 35 percent, and if passed on to buyers in the form of higher prices, would retard consumption, thereby adding to unemployment. Therefore, not only would the small producer be stricken, but many workers would be thrown out of employment, and in those plants that were able either to pass on the increase in cost or to absorb it, the weekly income of employees would without doubt decline. These results, we believe, are not among the purposes of the proposed legislation.

If this legislation becomes law, and if, as we firmly believe, the provisions would prove to be unenforceable, the gains of the past 18 months of operation under codes of fair competition would be wiped out; respect for the code system would vanish; price levels would be lowered because of the vicious circle of price cuts and cutthroat competition which would be resumed; wages throughout the country would be lowered; and, in short, we would immediately return to the deplorable conditions of 1932.

While it might be possible to secure some degree of enforcement among the larger industrial centers of the country, it is not seen how such a law could be enforced in small communities where the operators themselves, the workmen, and the community at large were definitely hostile to such arbitrary restrictions.

The mechanism for compliance, as set forth in the Black bill, is pitifully inadequate, particularly for our industry, inasmuch as a relatively small percentage of current production is sold to governmental agencies. Few, if any, lime manufacturers have secured loans from any governmental agencies, and the additional penalties contained in the proposed bill appear quite inadequate. Such proposed 30-hour legislation would become substantially a second Volstead Act, leading to chaos and confusion among industry, and disrupting all orderly and logical attempts to better the conditions of employment.

The 30-hour week, furthermore, whether enforceable or not, would encourage foreign competition unless a high tariff barrier were erected, and unless we became completely isolated with no commercial intercourse with foreign countries except for such products as were not produced in any of the several States.

The lime industry, therefore, is definitely and strongly opposed to the present proposed legislation designed to regulate the hours of labor to a 6-hour day and a 30-hour week. Members of our industry believe firmly that the existing machinery of the N. R. A. is the only practicable means by which wages and hours of work may be regulated either by industry or by Government. Such economic adjustments must be worked out carefully and slowly, and time must be given to absorb the shocks of major dislocations. We urge, therefore, that Congress give thought to strengthening the National Industrial Recovery Act, rather than to enact measures which would stultify and destroy the structure which has risen during the past 20 months under the N. I. R. A.

Senator NEELY. Mr. Kolb, we will hear you now.

STATEMENT OF J. F. KOLB, DIRECTOR OF INDUSTRIAL RELATIONS, NATIONAL METAL TRADES ASSOCIATION

Mr. KOLB. Mr. Chairman, I approach the discussion of the Senate bill 87 before this committee with an appreciation of the gravity of the policies involved and their impracticability which we believe would work great injury and hardship on employers and employees. We believe the economic results of the operation of its policies would be impractical and therefore undesirable.

It is an arbitrary, permanent limitation of the contractual capacity of employer and employee on the hours of labor in every State with a penalty, under the commerce clause, forbidding interstate transportation of inhibited products which will affect adversely those whom you intend to be the beneficiaries of your legislation. It is a permanent policy of underemployment projected in an attempt to correct an abnormal condition of unemployment.

We cannot conceive a more severe blow to individual earning power or to the liberty of men to grasp opportunities presented than to limit earning capacity by laws prescribing the maximum hours you will permit him to work with an embargo against products produced by him when the imposed conditions are exceeded.

American industries during a 30-year period previous to 1929 reduced the working hours from 57 to 50 hours per week and increased the per capita income 40 percent which was shared by all classes.

The proposal for a 30-hour week is surprising and causes our most thoughtful people to view it with serious misgivings, for they realize that such a radical departure will delay recovery from the depression and in normal times prevent industry from providing the manufactured products required for domestic consumption.

The relation of the 30-hour-week proposal to the problems encountered during the depression includes several aspects, such as:

1. The possible alleviation of the distress of the unemployed in an attempt to break the depression.

2. In its long-run aspects was conceived as a possible remedy for permanent technological unemployment to absorb the displaced labor by shortening the hours of work which suggests attempting to adjust supply and demand.

An analysis of the underlying philosophy discloses that in 1929 actual output of goods and services equaled 81 billion dollars, or $665 per capita, with a possible output available of 97 billion dollars worth of goods or services, or $800 per capita.

During the period of greatest technological advancement, 1900–29, we increased per capita production about 40 percent and decreased the working week 13 percent. Since the beginning of the depression we further reduced the working week 20 percent, or more than had occurred in the previous 30 years. The average hours per week wage earners in manufacturing industries worked in 1934 was about 34 hours. The 30-hour week would mean a total time reduction for wage earners since 1929 of 40 percent.

It is evident we cannot maintain 1929 level of production on a 40 percent shorter working week when available data indicate man-hour productivity in manufacturing due to improved operating methods, more efficient equipment, highly selected personnel, and

fear of losing one's job when jobs were scarce increased only 25 percent between 1929 and 1934.

This gain of 25 percent in productivity will be sharply reduced when less efficient personnel are reemployed. Further, other fields do not show a comparable increase in man-hour productivity to that shown in manufacturing resulting from technological improvements. The average increase in productivity as a whole appears to be less than 10 percent.

Therefore, we conclude that a reduction in the hours of work such as is contemplated would inevitably substantially reduce the volume of wealth production below 1929 levels. The average American workman does not want a shorter working week; in fact, most of them are eager to work more hours than employers could supply, so their weekly pay check would be adequate for family needs. On the contrary, we should emphasize that this country needs more production at lower prices instead of less at higher prices, which would be the certain result of a sharp reduction of hours without reduced earnings.

Under this proposal it may appear that if wage rates are increased the workers' share of the product would increase and profits decrease, but increases in wage rates are increases in costs and prices, which affect the workers' real wage far more than it affects profit. Experience under N. R. A. with increased wage rates and shorter hours does not support the assumption that the masses get more real proportion of the wealth produced by industry. Therefore, a further drastic cut in hours and increase in wages would be followed by increased prices of manufactured products more pronounced than was the case under N. R. A. codes. Effects upon various economic classes indicate the workers' real wages would be appreciably reduced by the rise in commodity prices which would compel adoption of a lower standard of living.

This 30-hour bill prohibits transportation in interstate and foreign commerce of any goods produced by persons permitted to work over 5 days in any week or more than 6 hours in any day. These labor standards do not apply to imports nor are the products of any foreign producers required to meet the standards of this bill, thereby giving nations competing in American domestic and foreign markets a very unfair advantage, and this also would tend to materially increase our unemployment.

If the 30-hour bill was applied indiscriminately to employees working 43 hours and others working 23 hours it would obviously be unfair to either or both so far as application of wage rates was involved.

Our 30 million farm population would be confronted with higher prices for all commodities purchased. This increase in the disparity between the prices of manufactured products and agricultural products would seriously affect sales of manufactured products as well as the farmer's real earnings and no doubt ultimately would increase our unemployment burden.

Employment in industry is possible only as their products can be sold. Goods can be sold only on the basis of prices that create demand. The prices of products are based on costs, both direct and indirect, represented by labor in materials and supplies used in manufacture, because every manufacturer is a buyer, fabricator, and

seller. The manufacturer must indemnify himself for these higher costs by charging higher prices. Present costs which have prevented sales and increased unemployment must be reduced so our products and prices will induce buying.

Summarizing this analysis of the economic effects of the 30-hour week clearly leads to the conclusion that the measure would not promote national welfare. It would prove detrimental to the interests of labor as well as other classes. It would not promote recovery and bids well to intensify the depression.

The results of a 30-hour week with no increase or decrease in production of manufacturing industries probably would produce the following results:

For the unemployed workers: Restoration to employment of some of their number, perhaps 20 percent to 30 percent.

For the employed workers: Reduced hours, increased hourly earnings. Stationary money income per week. Increased cost of living. Reduced real wage.

For the manufacturers: Smaller output per man-hour. Increased labor cost per man-hour. Larger increase in labor cost per unit of product. Reduced sales.

It goes without saying that it is the duty of the Nation to prevent want among the unemployed. But to seek this end by a compulsory reduction of the hours of work, which would freeze the possible volume of production below the level required to give all the people the abundance they desire, is as short-sighted as it is lacking in understanding.

Therefore, Mr. Chairman and members of the committee, we urge you as a matter of promoting national and individual well-being to report this bill unfavorably.

STATEMENT OF G. W. PARTRIDGE, SECRETARY ASSOCIATION OF OPERATIVE MILLERS, BOARD OF TRADE BUILDING, KANSAS CITY, MO.

Mr. Partridge. I speak on behalf of the Association of Operative Millers, an organization of 40 years' standing whose membership is composed of skilled craftsmen in the flour-milling field.

We oppose the 30-hour week.

In industry are millions of workers, a tremendous host employed today. With unemployment all around them, they still remain a backbone of industrial life and around them recovery should be built. We beseech you, however, that it not be attempted to build on them, and that the security remaining to them be not jeopardized by encroachments on their continued ability to perform their honest labor.

A year ago, in public hearing under the National Industrial Recovery Act, we argued for shorter hours than those which were prevailing in our field before this time. The present basic 40-hour week in the code covering the field in which we serve has accomplished a great deal, and promises to accomplish much more as conditions become readjusted. Many of us at that time felt that we favored a 36-hour week; but we regret that where such hours have been voluntarily instituted today, it would appear that the intended purpose of helping employment has not been accomplished.

In flour milling, as in a great many other industrial fields, the mill must have ample crews available for maximum operation at any time. When orders fail to materialize, reductions in running time must result. During these periods of reduced operation, a policy of apportionment of whatever work there is among all prevails. This results in periods in which the workers have far less than normal time and wages. A so-called "40-hour week" by no means results in a full 40 hours' time and wage for those employed. Such a condition, if long continued, would threaten to swing additional numbers into the ranks of the needy. A compulsory 30-hour week would unquestionably magnify this condition, and while it may be argued that it would reduce the number of those actually unemployed, it would unquestionably more than offset any gain this would accomplish in the progress toward recovery by adding many more to that group that with difficulty "still stand erect."

Industrialists will argue that the 30-hour week will seriously increase production costs, to a degree that will make it difficult for many concerns to survive. Economists will argue that this plan must mean higher prices as a result of such increased costs. Thoughtful labor argues that this plan would so penalize the workers now employed, that any apparent benefits would be far offset by new problems arising from the difficulties encountered by the share-time workers.

Nowhere will greater sympathy and understanding for the unemployed be found than with his more fortunate brothers who still "have a job" today. They will, we are certain, support any honest plan to help the unemployed to find new positions or to find reemployment in their old positions. But the definite danger to the security of present workers which is indicated by this plan should not be overlooked.

An overcrowded ship stands less chance of weathering a stormy sea. Let us have new ships for the idle crews—and recondition those ships now unused. Let us have complete and efficient crews. But do not overload those ships which still sail on, lest all the crews be shipwrecked in the storm.

STATEMENT OF FRED R. ROWE, REPRESENTING THE MICHIGAN STATE MILLERS ASSOCIATION, PORTLAND, MICH.

Mr. Rowe. I represent the Michigan State Millers' Association, an organization of mill owners founded some 54 years ago. The membership comprises mills of all sizes from 20 barrels to 2,400 barrels daily capacity, milling over 2,000,000 barrels of flour annually.

The proposed 30-hour week, applying to all mills doing any interstate business, will, we feel, place such mills to great disadvantage in their own local State markets which have been the strongholds of their business for many years, because other units doing only intrastate business would not have a corresponding increase in labor costs.

Legislative acts, both Federal and State, have greatly increased the price of wheat products to the consumer, all of which has had a direct effect upon the consumption by placing such products way out of line in price with other similar food products.

Any additional increase in cost must be reflected in consumer price and will still further decrease consumption by deflecting purchasers to lower priced food products.

A decrease in consumption in our line of business means a decrease in production, for there is a definite absorption point in food products controlled by the capacity of the human stomach.

Such decrease in production would reflect a like decrease in demand for raw material and very definitely affect the market for the farmers' wheat.

Flexibility in the operation of medium and small mills, particularly those mills located at country points, is absolutely essential and such provision has been recognized in the milling code because such plants are the backbone of those communities furnishing employment to townspeople, a ready market for farm products and a convenient place of supply for the farmers' feed requirements.

About one-half of all flour-mill employees are skilled labor requiring considerable training. If hours were cut, it would require additional trained men for a few hours only, based on present average running time, and such men could not be procured under those conditions in the smaller communities.

While not opposed to the general principle of shorter hours of work, we feel that our industry has already absorbed all the additional labor it can stand, without very serious results.

Senator NEELY. The committee will adjourn until tomorrow morning at 10:30 o'clock.

(Thereupon, at 4:50 p. m., the committee adjourned to meet at 10:30 a. m., Thursday, Feb. 14, 1935.)

THIRTY-HOUR WORK WEEK

THURSDAY, FEBRUARY 14, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

Pursuant to adjournment, the subcommittee reconvened in the committee room, Capitol, at 10:30 a. m., Senator Carl A. Hatch presiding.

Present: Senators Hatch (presiding) and Austin.

Senator HATCH. We are ready to proceed. I believe Mr. Riley is the first witness.

Senator AUSTIN. Before we proceed, Mr. Chairman, may I put some statements in the record?

Senator HATCH. Yes.

Senator AUSTIN. I wish to have printed in the record the brief or statement of the Code Authority of the Candy Manufacturing Industry, and the brief or statement of the American Flyer Manufacturing Co.

Senator HATCH. They may be printed in the record.

(The documents referred to are here printed in full, as follows:)

STATEMENTS OF GEORGE H. WILLIAMS, CHAIRMAN CODE AUTHORITY, CANDY MANUFACTURING INDUSTRY

A 30-hour work week applied to the candy manufacturing industry would cause (1) reduction in employment, (2) elimination of many of the smaller units now operating in the smaller cities and towns, (3) transfer of business from the smaller to the larger units of the industry.

At present the industry is comprised of over 1,000 manufacturers, only 30 or 40 of whom have sales over $1,000,000 per year. The sales of the other 900 range down from that figure to four or five thousand dollars a year. The 1933 sales for the whole industry are reported at under $150,000 per year per unit. The members of the industry are located in every State in the Union, in the small towns as well as the larger cities. The largest manufacturers are located in the larger cities.

Candy is a perishable product and demand is seasonal to a large extent. A few varieties may be made up in advance and safely stored, but only under most favorable controlled conditions requiring a large permanent investment in equipment and storage space. Naturally, the finished stock also required an investment in materials, containers, and pay roll. For this reason only the larger units are able to manufacture in anticipation of seasonal demand.

Operations are limited generally to one shift in most factories for the following reasons:

1. The waiting period in processing requires too much space for semifinished merchandise to justify doubling or tripling it for use only during the short period multiple shifts could be put on.

2. The infrequent need for multiple shifts prevents carrying trained supervisors during long periods intervening and the cost of training even the rank and file of employees for such short periods would be excessive.

3. The absolute lack of skilled help and supervisors in small cities and towns where there are but one or, at the most, two candy manufacturers prevents manning of more than one shift.

Multiple shifts therefore are possible only in large candy centers or in the manufacture of certain nonseasonal items such as standard 5-cent bars and penny pieces.

Candy is not a luxury consumed only by the well-to-do. Sales of fancy packages represent less than 5 percent and plain packages represent only 13 percent of the total volume of the industry. The average price received by all manufacturers in 1933 was about 15 cents per pound.

From these facts it is apparent that if a 30-hour work week was put into effect in the candy industry, the smaller plants located in the smaller cities and towns would be unable to manufacture their requirements in the shorter work week, could not operate more than one shift during seasonal peaks, could not manufacture ahead for stock, and therefore would lose volume to plants in larger cities where multiple shifts are economically feasible.

This reduction in volume would increase the percentage of rent, administration, and other fixed charges to be applied to cost per pound and would therefore prevent these smaller plants from competing with the larger metropolitan factories, and many would be forced out of business.

The elimination of the smaller units from the competitive field would not result in a mere transfer of employment from one field to another, because the larger metropolitan factories are more highly mechanized than the smaller city hand-labor factories. Therefore, an actual reduction of employment would result.

Reduction of employment would be increased further for another important reason. Candy is selected by the purchaser because of its eating value rather than of its brand name. One item may require much more labor per pound or per piece than another. The consumer is not able to eat this additional labor, but if there is not too great a difference in the cost per pound or the size per piece of 1-cent and 5-cent candies, he will buy the high-labor item. When the eating value declines because of the uneatable labor increase, he will choose the products of greater eating value.

There are many candy products now in the market which are on the border line. If their eating value declines further, the demand will shift to low-labor products. This is not theory, this is the experience of the industry. Two years ago, for example, a penny variety was selling at the rate of thousands of boxes a day. Each piece weighed 1 ounce. It is estimated that about 2,000 employees were required for its manufacture and processing. Due to higher cost of labor and of its ingredients, it has been necessary to reduce its size to two-thirds of an ounce. Sales today are negligible and it is doubtful if 500 employees are required to make it.

The conditions prevailing in the candy manufacturing industry were carefully considered in drawing up the code for the industry and earnest efforts were made to permit the smaller units to remain on a basis of fair competition with the larger units. Since 1933, employment has increased 45 percent and pay rolls 63 percent, with comparatively little dislocation and distress to the members. This lack of disruption has been possible only because consideration was given to labor conditions and a balance of fair competition maintained. The reduction to 30 hours per week would destroy this balance and result in great distress to employers and employees alike, particularly in the smaller cities and towns.

George H. Williams,
Chairman Code Authority for the Candy Manufacturing Industry.

February 13, 1935.

Statement of J. E. Cuff, Vice President, American Flyer Manufacturing Co.

February 7, 1935.

To: Senate Judiciary Committee.
Subject: Black S. B. 87, Connery 30-hour-week bills.

Honorable Sir: The toy industry is unique in that its remarkable history, particularly since the depression started, sets it off for special treatment or consideration from all other industries.

We believe it is a fair statement to assert that had the record of this industry been paralleled by its sister industries the depression would now be history, and most certainly would not have taken on the intensity and duration experienced.

Because of the persistent ailing condition of some industrial groups, such as capital goods, it would be a serious mistake to rush in on a basis of bare statistics and penalize an industry which has kept itself economically healthy. Furthermore, it doesn't seem logical that initiative coupled with an unexampled history of fair treatment to all concerned should be penalized and averaged up with those others who, because of one reason or another, are unable to help themselves.

NUMBER OF EMPLOYEES

In 1928 and 1929 the American Flyer was carrying the largest number of employees on its pay roll up to that time.

In 1933 and 1934 we equaled the number of employees of the precrash years, and in addition had absorbed considerable help from other industries which, because of machine technique and other reasons, had displaced workers. The toy industry has not the problem of taking care of the unfortunate employee in its own industry.

TYPE OF HELP

The feature which distinguishes this industry from others, particularly the capital-goods industries, is that it has always been a haven for those recently leaving school and therefore not experienced in qualifying them for skilled jobs. It will be difficult to imagine this industry having openings for such help as boiler makers, bricklayers, and others who in a large measure, on paper at least, are drawing the same scale now as they did during the predepression years; or leastwise if the industry did absorb such help it would be on a wage basis out of line with what they formerly were getting, because of their skilled training, which is of no value to the toy industry.

WAGE HISTORY

The toy industry in 1928 and 1929 naturally was in competition with labor for all other industries and therefore paid the competitive wage scale prevailing in those years.

(1) In 1933 and 1934, under the present National Recovery Administration set-up, we now pay as much, if not more, to our labor than was paid in the boom years. If we understand it correctly, it is proposed to jack up this scale considerably higher. It is not unusual to find now, in contrast with 1928 and 1929, college graduates, with years of business training, working on a par with unskilled labor and glad of the opportunity. It must not be forgotten that heretofore under normal conditions avenues of employment were always open for the college-trained men.

PURCHASING POWER

Up to 1928 and 1929 the American Flyer catered largely to the "white-collar" class, or people with means—briefly, those who could pay up to $75 for a train set, plus additional money for equipment. Its physical volume then was just about what it was for the past 2 years.

(1) During 1933 and 1934 the "white-collar" market almost vanished. Our volume has been maintained almost entirely by the purchasing class such as work in our factories—those who buy the lower- and moderate-priced toys—and they bought them in greater amounts than in the boom years. It is a safe assertion to make that the American Flyer employees find no difficulty whatsoever in purchasing the products of their own labor.

SEASONAL OPERATION AND OVERTIME

(1) Formerly, in line with the practice of other industries, the better-trained or key people of the factory, during periods of rush operations, worked in many cases to the limit established by the State. This, of course, because of competitive conditions could not be otherwise; and, furthermore, this overtime was on a straight basis with no premium above the regular hourly rate.

(1) Needless to say, the toy industry is highly seasonal; in fact, we have but one turn-over per year. The Department of Commerce statistics show over 70 percent of the toys are moved across the retail counter between Thanksgiving and Christmas. Bear in mind that these figures are for the entire indus-

try, and many firms' products, like our own, move across the counter almost 100 percent during the Christmas-holiday season.

(2) In view of the foregoing, the provision of 96 hours of overtime, which is similar or less than that permitted in typical codes, is not only a handicap but is decidedly unfair. In a building or machine job, under contract where the time element is a factor, and likewise an unusual situation, coupled with the low-labor factor, the premium for labor is not unjustifiable. In the toy industry, with the extremely high factor of labor content in prime cost and with merchandise that is highly volatile from an obsolescent standpoint, the situation is very much aggravated for the toy manufacturer. It is impractical for the toy manufacturer to pick his help off the street just because they are unskilled labor. They have to be intelligent and have a background familiar with the product and the methods of the organization. Santa Claus doesn't postpone Christmas or permit the extension of time to get out our merchandise. In this respect our industry is intensely speculative. We do not believe that these limitations were given due consideration when the code was adopted.

COMPETITION WITHIN TOY INDUSTRY

Companies in the toy industry have always been in the position of competing intensively for the consumer's toy dollar aside from the interfamily competition of allied toys. The very lifeblood of the toy industry is summed up in one word, "novelty." No firm can long survive, regardless of its past record, if it does not keep in tune with the consumer's capricious mood.

It is to the credit of the toy industry that under the provisions of the code it did not take advantage of the large avenues which would lead it into monopolistic operations or iron-clad guilds. Briefly, the situation today is precisely what it was before the code, comparatively speaking.

COMPETITION OUTSIDE OF TOY INDUSTRY

We toy manufacturers are always subject to the inroads of manufacturers from other industries who, because of depressed conditions in their own industry, are continually jumping over the fence of their pasture into that of our field. It is an almost unheard-of thing for a toy manufacturer to invade the fields of others. It can easily be understood that when manufacturers wander into other fields they invariably mark down their overhead and consider the new acquisition or new field as something "velvet" and not subject to the usual overhead mark-ups that justly belong to the product. It is rather inconsistent that these selfsame invaders are trying to impose their wishes regarding our code on the toy industry at this time.

TARIFF AND LABOR

During the boom years of 1928 and 1929 imported toys were not a very great factor. This was because of the relatively high price that toys were sold at and a comparatively small demand for the cheaper article.

(1) During the past 2 years there has been a heavy increase of imported goods in the lower-priced fields from the extreme low-wage countries of Europe and Asia. A further increase of imported toys will be accelerated if the labor cost of toys is raised to a higher bracket. This will inevitably result in a further unemployment because of the diversion of the toy dollar to the foreign toys. Only this morning we have learned that a buyer of one of the large toy wholesale firms is sailing for Japan the first of the year. They have not sent a man to foreign countries to buy toys since before 1929.

(2) Another point not universally recognized, and that is—there is very little patriotism employed in the purchase of goods where there is a price spread, and any amount of ballyhoo in the past, in this country, has not changed this situation in favor of the American article.

COST ABSORPTION

Prior to the code, of course, all costs were passed on to the consumer. The toy industry was unable to pass on any increase in 1933 due to the nature of its business. Nearly 50 percent of their product was sold when the National Recovery Act became a law. Prices established during the selling season have to practically be guaranteed for the year, both against increase and decline. During 1934 prices and costs have just begun to adjust themselves. If we understand it correctly it is not proposed to upset this picture which will entail a considerable readjustment or increase in cost, which in this event must be passed on 100 percent to the consumer. It should be borne in mind that during 1933, unlike many industries, we did not legally take advantage of the code provisions, which would have legalized the passing on of the higher cost. We believe that this position taken at that time was sound and it has been confirmed by the sales to the consumer which otherwise would not have been made, and we in the toy industry are not now sitting on the fence looking for Government aid in one form or another. We believe it is to the mutual advantage of the consumer and wage earner to have a large volume of physical goods at a nominal price than a restricted volume at a higher price. The opposite policy, from time immemorial, has ultimately proved disastrous.

THE MACHINE AND THE CONSUMER

One of the outstanding reasons for the toy industry maintaining the physical volume in depression years against the boom years is that it has, by ingenuity of designing novelties, brought about a substantial reduction in the cost of comparable items then and now. These statements are not pulled out of the air; they can be substantiated by specimens of similar products made then and at the present time. Briefly, the situation is general with practically all toy firms. We also feel that in this particular record the toy industry practically stands preeminent and is only equaled by the industries which have accomplished a like result almost exclusively through machine efficiency instead of management.

CODE COOPERATION

Prior to the code the toy industry was a going confederation of little industries grouped together under the title, "Toy Manufacturers of the U. S. A." and in their own little way got along like any well-regulated family. We did not resort to monopolistic practices such as mergers, price fixing, production, or any other means whose motivation was to sock the consumer or restrict the latitude of labor. We came up to the code with a clean history and clean hands, and did not feel then, and don't feel now, that we contributed to this thing called "the great depression."

(1) The toy industry, while not the first to have a code, nevertheless it required no coercion on the part of the Government in arriving at its code, which was signed as early as was practicable on the part of the code authorities, and at great cost to the industry. Our procedure with the N. R. A. won from them voluntary commendation for our part in cooperating with them. Since that time our record for compliance with the letter, as well as the spirit, will stack up with the most favorable industry that we know of.

WAGE SCALE

In the predepression years there was a spread between the toy industry and others, particularly the capital goods industries, or industries such as furniture, automotive, and other like industries, whose products ran into considerable money, and whose products were primarily for the use of adults.

(1) Under the code this spread has been considerably narrowed. We in the toy industry have increased our wage rates from 20 to 50 percent to come up to the code. Many industries on the other hand have not had to increase and in fact could have decreased their wage scales down to the code. For instance, where they formerly paid 60 cents the minimum is now 40 cents. With this present wage picture the toy industry now, as in the past, has been under a handicap in competing for labor in that with the first show of any sort of good times, our labor is wheedled away by others who can afford to pay much higher scale, because of the nature of their product which, generally speaking, contains a very small labor factor in the overall cost.

CONCLUSION

We submit that the toy industry has done its full measure to keep up employment and any change in the present wage scale of the toy code would not

help the economic conditions of the country but on the contrary would cause greater unemployment and wipe out whatever scant margin of profit the industry may to-day enjoy.

Very truly yours,

AMERICAN FLYER MANUFACTURING Co.,
J. E. CUFF, *Vice President and General Manager.*

STATEMENT OF JAMES J. RILEY, PRESIDENT BARIUM REDUCTION CORPORATION, SOUTH CHARLESTON, W. VA.

Senator HATCH. Mr. Riley, you may proceed.

Mr. RILEY. My name is James J. Riley. I am president of the Barium Reduction Corporation of South Charleston, W. Va. I appear today also on behalf of the Manufacturing Chemists' Association in opposition to the 30-hour week bill, S. 87. I wish to state how this bill will affect my corporation, also its employees and its customers.

The economic side of the argument only will be developed, although there is a legal or constitutional side which must be presented by others having such specialized knowledge.

I realize, and am in hearty sympathy with, the tendency toward higher wages and shorter working hours and my desire is to further an orderly and practical approach to such an end.

The whole economic philosophy underlying this bill has, in my opinion, been ably and impartially dealt with in the special investigation of the Brookings Institute entitled "The 30-Hour Week", by Harold G. Moulton and Maurice Leven and filed with this brief.

Senator AUSTIN. That brief has already been introduced in evidence.

Senator HATCH. It is already before the committee, and several copies have been furnished, so it will not be necessary to include it.

Mr. RILEY. I have great admiration for it.

I do not propose to go over the ground already and more ably covered by them but wish to present certain points directly referring to our chemical industry and more particularly to my own subdivision of it.

The chemical industry is basic in that it is a supplier of raw materials for industry as a whole. This is partially illustrated by two charts attached.

There are a few chemical companies so well advertised as really to be household names when chemicals are thought of, but most of us are small companies and supply such little-heard-of primary raw materials that we are unknown to the public.

A survey of 598 esablishments operated by 337 companies under the basic chemical code shows that 39 percent of all the factory units had 20 or less employees and that 64 percent had 50 or less employees. In fact, only 7 plants had over 1,000 men. Factories of my class have 20 percent of the employees.

Peak demands and fluctuations in consumption require a reasonable leeway in hours of work. This is illustrated by an epidemic—such as influenza—which presents an immediate demand to increase the production of certain essential pharmaceutical chemicals. Insect infestations, such as the rapid spread of the boll weevil or Mexican bean beetle, likewise call for increased production of insecticides. Changes in style result in large demands for special colors and other

products. Frequently the discovery of a new use is followed by a huge demand for a chemical which can only be met by lengthened hours until new equipment is installed and new men properly trained for this manufacture. It is impossible to fully discount unexpected demands for products of the chemical industry, which is characterized by continuous change.

It is not feasible to maintain a sufficient staff or a sufficient inventory for any emergency. Many operations of the chemical industry are continuous and in a multitude of delicate chemical operations—such as finishing an obstinate nitroglycerine charge—it is essential that a single skilled operator complete a given operation.

As a concluding observation on the necessity for flexibility, let me emphasize that failure of the chemical industry to supply the fluctuations and demands of other industries, which must have chemicals in order to operate, would at times force these other plants to close down.

Bill S. 87—5 days, 6 hours—somes miscalled "the 30-hour week bill": In spite of the provisions in section 1, allowing one to start an argument with the Labor Department, this proposed bill is one of the most inflexible, drastic, and far-reaching ever submitted to industry.

All of the study to obtain flexibility under the codes would be offset by this bill. Its immediate effect would unquestionably be to retard recovery. The earning power of our workers is limited under this bill.

In actual factory operation the burden of the bill would press heaviest on the small chemical manufacturer with his limited force for repairs and emergency work and especially on account of his limited capital and credit. An already difficult task for the small manufacturer would be made impossibly difficult.

Gentlemen, please let me emphasize the severity and unfairness of the burden on the small chemical manufacturer.

Our own three chief items are labor mining barites ore, coal, and factory labor, all of which would be so increased under this bill as to force us to raise the basic prices and the chemical manufacturer buying from us would in turn have to pass this on to the ultimate consumer in increased prices.

Would this bill bring the material benefits which its advocates believe, or would it precipitate new difficulties and further lower already reduced standards of living?

My observations supplement and confirm the conclusions of the Brookings Institute's report and I wish to make their findings my own and in conclusion quote:

> In summary, this analysis of the economic effects of the 30-hour week clearly leads to the conclusion that the measure would not promote national welfare. It would prove detrimental to the interests of labor as well as other classes. It would not promote recovery and bids well to intensify the depression. At best its immediate effects would be a spread of employment at the expense of efficiency and productive output. In its long-run implications the measure offers to the workers of the country merely a choice between more leisure and a more abundant consumption of goods and services.
>
> It goes without saying that it is the duty of the Nation to prevent want among the unemployed. But to seek this end by a compulsory reduction of the hours of work, which would freeze the possible volume of production below the level required to give all the people the abundance they desire, is as short-sighted as it is lacking in understanding.

Senator AUSTIN. May I ask you a question?

Mr. RILEY. Yes, sir.

Senator AUSTIN. I notice you stated this is sometimes miscalled the "30-hour week bill."

Mr. RILEY. Yes, sir.

Senator AUSTIN. What do you mean by that?

Mr. RILEY. Under the present arrangement, if we sit up all night working on a refractory pump or a damaged motor—or something of that kind—we are allowed to ease that man off the next day and spread the work over the week. This bill ties us down to six hours in any one day, which is very different from a 30-hour week, sir. You can see it is vastly different. Then again, our people at the mine in Virginia, where we have a 40-hour week, most of these men come from a considerable distance from the farms where they live. They elected last December to work 4 days of 10 hours each. Under this bill we could not do it. They would have to travel from their farms and work 5 days of 6 hours each. You get the point, don't you?

Senator AUSTIN. You will work 30 hours, if you work 5 days of 6 hours each.

Mr. RILEY. Yes, sir.

Senator AUSTIN. Six day at 5 hours each makes 30 hours.

Mr. RILEY. There is the bill, sir. We can only work, as I read the bill, for 6 hours on each day.

Senator HATCH. No more than 5 days.

Mr. RILEY. No more than 5 days. Under the present code the men elected to work 4 days only and 10 hours each, which makes the 40-hour week. That gives them 2 complete days at home to do their own farm work. It is vastly different in actual practice, sir. There is where the complaint is.

Senator HATCH. Thank you very much.

STATEMENT OF WILLFORD I. KING, PROFESSOR OF ECONOMICS IN THE SCHOOL OF COMMERCE, NEW YORK UNIVERSITY

Senator HATCH. You may state your name and whom you represent, and where you live.

Mr. KING. My name is Willford King, and I teach in the School of Commerce of New York University.

Senator HATCH. I notice the chairman is always anxious to know for whom a witness appears. Are you appearing on behalf of any particular organization or company?

Mr. KING. No; I am not.

Senator HATCH. You are a voluntary witness coming as the result of your own wish, at your own expense, and you are not receiving any compensation for appearing here?

Mr. KING. I am not being paid anything for coming.

Senator HATCH. Very well. You may proceed.

Mr. KING. I find that I sympathize very strongly with the motives which impelled the men sponsoring this bill and which are expressed in the preamble of the bill.

Senator HATCH. Would you rather go ahead and finish your statement without interruption or, if points arise during your statement, would you rather that questions be asked at the time?

Mr. KING. Whichever way is convenient for you will suit me.

Senator HATCH. Proceed.

Mr. KING. I am inclined to believe, however, that, were it not for certain misconceptions about the way the laws of economics work, no member of the Senate would be in favor of this bill. The bill states that it is designed to reduce and eliminate unemployment and to improve the conditions of the working classes. That, of course, is what we are all most anxious to do, because unemployment is probably the most serious economic evil at the present time.

But to understand the reasons for unemployment you must go back to the old law of supply and demand. The law of supply and demand is based upon the inexorable laws of the universe and upon human nature. It works everywhere, and it has been operating during hundreds of years. It applied just as well in ancient Babylon as in the United States in 1935.

According to the law of supply and demand, as I believe every economist will agree, the lower the price of an article the larger the volume of sales of that article, and the higher the price the less of the article can be sold.

Another feature of the law of supply and demand, to which I believe every economist will agree, is that the man whose holding price is above the market price cannot sell his goods. They remain unsold. For example, if a farmer goes to the elevator with some wheat and the elevator man says the market price is 60 cents a bushel, and the farmer says that he will not take less than 70 cents, the farmer has nothing to do except to haul the wheat home again. His holding price is above the market price, and therefore the wheat is not sold.

As I see it, there is, in this respect, not a particle of difference between labor and any other thing offered for sale. If the holding price of the laborer for his labor is above the market price he cannot sell his labor. The market price of labor is determined by the wishes of producers and consumers in this country and in the world at large. The laborer cannot control the price of labor any more than the farmer can control the price of wheat at the elevator. He can either take the price fixed by the market forces or leave it. If he leaves it, he does not sell his labor, just as the farmer did not sell his wheat. His labor is unsold and he is unemployed.

Unemployment, then, is nothing more or less than the relationship existing between the holding price of the laborer for his labor and the world price at which the supply of labor will be demanded.

The lower the price of labor, the more of it can be sold. That statement represents merely an application of one of the fundamental laws of economics. It is this principle, however, which has been consistently overlooked by the technocrats and by the people who have been talking about overproduction and inadequate consuming power and lack of purchasing power in this country. They have all overlooked the fact that the lower the price of the goods the more can be sold. I believe it is obvious that any amount of money whatever will buy any amount of goods, provided the price is right. There is always an abundance of purchasing power, provided the price is right, but if the price is wrong the goods remain unsold.

We find that the national income is more stable than the actual volume of production. The national income is measured in terms of

money. There is a difference between production and income, although they are very closely related. For example, a corporation may earn money this year and pay it out next year in dividends, whereas the production may have taken place last year. At any given instant the total buying power of the country, in terms of money, is limited by the income as it exists at the moment.

It is this limitation which has prevented the success of all the "buy now" campaigns that have been put on. Buying power is limited by income, and income is always sufficient to buy any quantity of goods that can be produced, at a price, but not at the existing price, if the existing price is too high.

When the depression began, the national buying power was curtailed because, in the years preceding the depression, the people had been going into debt too much. They had been spending more than their incomes. They did it because they were overoptimistic. When they lost their supersense of optimism, they stopped going into debt. Many of them stopped going into debt because their credit had run out and they could no longer buy without cash. Others became alarmed. For both reasons they cut down their buying power as measured in terms of dollars, and, as the number of dollars of their buying power diminished, they could not buy the same volume of commodities as formerly unless the prices of those commodities also diminished. But the prices did not diminish. If the prices had been adjusted there would not have been any trouble. However, the prices of many of these commodities were not adjusted.

I may say that the difficulty arose primarily in the urban industries and not in agriculture. In agriculture the farmers kept on producing because the major part of agricultural production, as you well know, is turned out by farmers who live on their farms and work the farms themselves for the support of their families. In urban production, which is here taken to include mining and transportation, the situation was different. If, when the buying power of the Nation shrunk because of the curtailment of credit, urban producers had said: "We are going to protect our employees; we are not going to dismiss any of them; we are going to keep up the volume of sales and keep up the volume of employment," and if they could have put that idea into practice, no depression could have developed. The manufacturer would have cut the selling price of the particular product he turned out until he could sell the volume he had been selling during 1928 and 1929. Then, obviously, to protect himself against loss, it would have been necessary for him to cut the wages of his employees. Otherwise he would have gone bankrupt. He would have had to cut piece rates or hourly rates, as the case might be, until he could operate at a profit. If he had done that we would not have had any depression. But he did not do that. He took the easy course and laid off the laborers rather than cut their wages. He did this because laborers resist the cutting of their wages, and they do not resist being laid off. The result was that the urban industries maintained rigid prices for their products. These rigid prices made the products hard to sell. This resulted in extremely flexible employment.

On the farm, by contrast, employment was very steady, while agricultural prices fell sharply. The result was that the farmer could

no longer exchange his products with the urban producer on a reasonable basis. If, for example, wheat had been selling at $1 per bushel, and binders had been selling at $100 apiece, it would have taken 100 bushels of wheat to buy a binder. If the farmer and the city man had both reduced their prices proportionately, so that wheat went down to 50 cents and binders to $50, 100 bushels of wheat would still have bought a binder, and there would have been no difficulty. But what really happened was that the company that made the binder kept its price up to $95, while the farmer's wheat down to 50 cents. The farmer could no longer buy the binder without giving a greatly increased amount of wheat; hence the binders were not sold and the employees of the machinery factory were idle.

You are probably familiar with the study recently put out by Prof. Gardiner C. Means for the Secretary of Agriculture on "Industrial Prices and their Relative Inflexibility."

Senator HATCH. We would like to have that put in as a part of your testimony. We have not had that before.

Mr. KING. That was transmitted recently as Senate Resolution No. 17.

Senator AUSTIN. What document number does that carry?

Mr. KING. Seventy-fourth Congress, first session, Senate Document 13.

Senator HATCH. It does not need to be included in the record, but it may be filed and considered as a part of your testimony.

(The document referred to was filed with the committee.)

Mr. KING. Professor Means has an elaborate set of charts here. You can see on this chart for agriculture, page 5, chart no. 4, how production kept up almost to the line. The dotted line represents agricultural prices, which collapsed while production kept up. However, chart no. 5 on the same page indicates that production in the implements industry was extremely variable. It went up during the boom and then dropped tremendously, so that, at the bottom, it was only one-eighth of what it was at the top, prices being about nine-tenths of what they were, as you see, the prices of agricultural implements (represented by the dotted line) remained practically fixed.

Senator HATCH. There was no substantial decrease at all?

Mr. KING. There was a decrease of about 10 percent in their prices.

Senator HATCH. While the prices of all farm commodities went down probably 75 percent?

Mr. KING. The prices of farm commodities went down about 65 percent. Their production fell off about 10 percent. By contrast, the prices of agricultural implements fell off about 10 percent, while their production fell off about 85 percent. He shows that this contrast was not confined to agriculture and agricultural implements, but represented a general situation applying to a great variety of industries; that wherever prices were rigid, production changed tremendously, and where prices were flexible, production did not change, and the volume of employment remained relatively constant. There is a table on page 8 of this report which compares the different industries, showing the extent of the drop in the prices compared with the percentage drop in production. It shows close inverse correlation.

I have not seen the original report, but I find in the New York Herald Tribune of February 2, 1935, on page 26, a report of a sur-

vey made by the N. R. A., covering much the same sort of thing as Dr. Means' study, which was, I believe, made independently for the Department of Agriculture. The newspaper articles says:

In a new report on hours and wages it surveys the records of 23 industries in 1934 compared with 1929 and notes particularly this fact, and the corollary that "the industries with present prices at the 1929 level have afforded but little rise in employment."

Baking, chemical, boot and shoe industries show the greatest stability in employment, while prices of their products average about 70 percent of the 1929 level.

On the other hand, the residential building, brick and tile, agricultural implements, and furniture industries, the report finds, give relatively much less employment, while the prices of their products average more than 90 percent of the level in 1929.

Rayon and meats, with the lowest prices compared to 1929, had the best employment records, and the trend of prices in these two industries was generally downward during the period, particularly in the case of rayon.

This quotation bears out the point I want to make, namely, that you can have your choice; you can have flexible prices with stable production and full employment, or you can have rigid prices with flexible production and much unemployment.

Senator HATCH. You mentioned a thought that interferes with your decrease in prices, that is, your debts and your fixed charges which had been customary in the high peak, which did not decrease.

Mr. KING. They did not decrease.

Senator HATCH. I would like to have you discuss that later on, when you reach that point in your statement.

Mr. KING. I can discuss it at this point just as well. Industries that are burdened with interest charges and fixed rentals cannot escape these burdens.

Senator HATCH. I do not want to limit that to industries. The farmer and the laboring man also have fixed charges that must be met.

Mr. KING. You are correct. Any individual and any industry, and in the list of industries I count agriculture, which has heavy fixed charges must meet with a very serious condition during a decline in the price level, because the greater the fixed charges the more the burden that must be thrown upon the variable charges. That means that stability of the price level is essential, if you do not wish to have a chaotic condition in industry and great hardship placed upon all classes. Without a stable price level, the difficulty arising from fixed charges often becomes tremendous. Every class that has promises to pay in the future is burdened. Unless you propose to abrogate contracts, you cannot get around that difficulty in any way other than by keeping the price level stable. To do that is not particularly difficult, if you decide to do it, but it is necessary to do it or you cannot escape the burdensomeness of fixed charges.

We have been told that, in the United States, we have a great problem of overproduction in agriculture. I am inclined to believe that such overproduction is merely a myth. The reason for this belief is that I have perused the reports put out in the United States Department of Agriculture by such men as O. E. Baker. He has been studying the question for many years. His report indicates that we have not been suffering from overproduction in agriculture. Our acreage has not been increased. Our production is scarcely keeping up with growth in population. We have had overproduction only in two or three lines such as wheat and cotton—lines in which we export a considerable amount. Those exports have been diminishing. There would not have been any trouble if we had had a normal demand for other agricultural products such as meat, milk, and fruits, for their production would have required all the excess wheat and cotton acreage.

Secretary Wallace said in a recent address in Chicago that the whole trouble in agriculture has arisen from the failure of the industries in the cities to buy the products of agriculture. Urban industries have stopped producing.

When the urban industries stopped producing they laid off their workers. Then neither the employers nor the workers had the means to buy the articles offered by agricultural producers. That caused trouble in agriculture. The difficulty goes back to the maintenance of rigid prices by the urban industries. If they had had flexible prices the paralysis of trade would not have happened. But they couldn't have flexible prices unless they also had flexible wages.

Flexible wages must be flexible wages, not per week, but per piece, for manufacturing cost depends upon the wage cost per piece. It is not feasible to lower wage rates per piece to offset the decline in the price level unless you lengthen the hours of labor so that the laborer can continue to earn as much money as he did before. Otherwise you will reduce the money earnings of labor, which, of course, is undesirable. If you reduce the cost per piece to correspond with the fall in the price level, the laborer will earn less money per hour; but if you employ the laborer full time, instead of part time as at present, he will earn satisfactory wages.

If that rule prevailed in all industry the workers would be far more prosperous than today, for all products would be materially cheaper than in 1929. Average weekly wages, therefore, would buy approximately as much as they did in 1929. Their purchasing power, however, would be somewhat lessened because fixed charges would take up a larger portion of the income than in 1929. This would be true because of the decline in the price level. The result would be that, in order to balance that effect, wages would have to go down relatively more than the decline in the price level since 1929.

However, there is an offsetting factor. Since 1929 we have kept on inventing machines and discovering new processes. As a result, the laborer can now produce more per hour than he did in 1929. As Carl Snyder has shown in his studies for the Federal Reserve Bank of New York, there has been a long-time tendency in the United States for production per capita to increase at a rate of about 3 percent per annum. I believe that ratio of increase has kept up since 1929. We ought, therefore, to be turning out now something like 18 percent more goods per capita than we did in 1929. The ability of labor to produce more would normally make wages higher by perhaps 15 or 20 percent than they were in 1929. If we continue to operate on the present price level instead of restoring it to a higher level, the gain in production just mentioned should offset partially or wholly any loss occasioned by fixed charges.

The shorter the hours that men work, in general, the less they produce in a day or in a week; and the less they produce the less production exists from which to get wages. Production constitutes

demand. We must produce or there is no demand for goods. The trend of production and the trend of national income are virtually synonymous. When we have low production, we have hard times. That is what we mean by "hard times."

If we maintain the existing price level, the way to get out of the depression at present, is to reduce selling prices enough to move the goods and to employ labor at full time. This process of cutting selling prices and wages ought to continue until all of the labor in the country is employed. In some industries, the goods produced are such that the demand for them is very elastic, that is, a small decline in price means a large increase in demand; in other industries the demand is inelastic, and a large fall in price means but a small increase in demand. Among the industries in which there is an elastic demand we find the building industry. If the price of building were to come down sharply there would be a tremendous increase in the number of buildings that would be put up. Nearly everybody wants to build a better house to live in. The average man can't afford to build it now, because the prices are too high. Wage rates have been maintained approximately on the 1929 level, and the cost is therefore so great that the average person cannot meet it at this time.

As you probably know, the usual tendency is for residential building to fluctuate right along with automobile production. When people accumulate money they want to buy better houses and they also want to buy autombiles. At present, we have residential production dropping, whereas automobile production has been running up very rapidly. The unusual situation has developed because automobiles have been cut in price while building costs have remained at about the old level.

The 30-hour-week provision in the bill under consideration seems to me to contradict all the reasons I have just mentioned showing the necessity of reducing costs. If an attempt is made to compel the employer to pay the same wage rate for a 30-hour week as he is now paying for a 40- or 44-hour week, it evidently increases his cost per piece or per article. According to the law of supply and demand, if the cost is increased, he will sell fewer units of the product. That is exactly what has been happening during the last year and a half under the restrictions which have been imposed upon industry. Investigations made by the National Industrial Conference Board show that, during the depression, the prices of many manufactured products have fallen off relatively little. This is true because of the fact that the cost of manufacture has kept up. Profit margins have been cut somewhat, but prices have been kept up. Higher prices make it harder for the people to buy—make fewer sales.

I presented at the annual meeting of the social science associations in Chicago not long ago a paper showing the comparative movements in American industry as compared with industry in other countries, which have occurred since we adopted our restrictive policies in the latter part of 1933. I do not have a copy of the paper with me, but here are some of the charts. You might glance at them. You will find, if you look at the fifth chart on the last page, an illustration of the way production has behaved in the United States as compared with the course in other nations that have adopted monetary policies similar to ours—that is, they have, in general, had higher price levels since 1933. The restrictive policy was put on our industry in the latter part of 1933. You will observe that since 1933, in Canada, the production curve goes up, while in the United States it comes down. For Australia, we haven't very good figures. We only have the records of shipping. There was no decline in the latter part of 1933 and 1934, while production in the United States fell off. In Great Britain, you will notice that production ran up at the end of 1933, whereas in this country it fell off. In Chile, production after the end of 1933 was well maintained at a high level, though it was falling off in the United States. In Sweden, production was down early in 1933 but it went up again while it was falling off here. In Japan, production was rising rapidly while it was declining here.

Since the monetary policy of all these countries was approximately the same as in the United States, the results seem to me to indicate that our restrictive policy on production stopped the rise in business that began so auspiciously in 1933. You can see in the charts the difference between what happened after the N. R. A. was adopted and what happened immediately before. In general the remarkable rise in business activity in 1933 stopped with the adoption of the restrictive policy.

This proposed legislation will put further restrictions upon industry, and will, I belive, act in exactly the opposite direction from what is intended by its framers. If you want to accomplish the purpose indicated in the preamble of the bill, I think you should increase flexibility in every way possible, both in wage rates and in hours of employment.

Senator McCarran. How far would you go in increasing the hours of employment?

Mr. King. I should think the legitimate method would be for each employer to find out what he could pay and keep up production. Then adjust the hours to suit the convenience of all.

Senator McCarran. Would that mean that you would put in a system of hours of labor in keeping with what you just said?

Mr. King. I would say that the ideal method would be for employers to reduce prices on their products until they could sell more goods than they did in 1929, and then to find out what rates per piece or hour could be paid. After conferring with their employees and discussing the matter of the employees' possible earnings, I think they might very well let their employees vote on the number of hours. If the employees want to work 60 hours a week, well and good. If they wanted to work ten hours a week, well and good. I think the number of hours should be at the option of the employees. The wage rate per hour, should, however, be set at a level which will keep the business operating at a profit.

Senator McCarran. What are you going to do with the unemployed?

Mr. King. I think under those circumstances there would be no unemployed, except the usual number of sick and unemployables.

Senator McCarran. Do you believe that by increasing the hours of labor of the individual employee you would absorb the unemployed?

Mr. King. I believe if we could get the price of the product lowered sufficiently we could keep all the people who wanted to work

busy at the hours they preferred to work without any difficulty, and that this procedure would restore the national income to a level much higher than we had in 1929.

Senator McCarran. You idea is to decrease the price level to the consumer?

Mr. King. Yes.

Senator McCarran. So as to make it attractive to him to buy?

Mr. King. Yes.

Senator McCarran. And at the same time increase the number of hours of employment to the employees?

Mr. King. That is right.

Senator McCarran. So as to put out a greater production per man unit?

Mr. King. That is it exactly.

Senator McCarran. The thought comes to me that that means a curtailment in the number employed. I would like to get your view on that.

Mr. King. I think it is obvious that each one of us has an idea of what he wants. There is no one who does not want more than he has. A large proportion of our inhabitants need more than they have. The reason they cannot buy the things they want, whether they have either large or small incomes, is because the goods are too high in price. You can buy two automobiles for $500 apiece, or one for $1,000. It all depends upon the price of the automobile. If a suit of clothes sells at $5 and you have $10 you can buy two suits.

Senator Hatch. May I suggest that if clothes were selling at $15 and you had only $10, you could buy one suit.

Mr. King. That is true. That is what happened last fall.

Senator McCarran. Facetiously, I would like to make the further remark that if you buy two automobiles you show a lack of knowledge of conditions.

Mr. King. I think there is no doubt about the correctness of that statement.

There is no limit to the demand for goods except the ability to buy and that is controlled by the price at which these goods sell. One set of goods will always exchange for another set of goods, provided there is no rigid holding price on either, but when you put a rigid holding price on one or both there may be no exchange. That is the trouble we have had, according to my point of view, during the last few years. The general price level dropped, because of the collapse of credit. When the general price level came down, not only those products burdened with fixed charges did not come down, but also many other goods did not come down. If all goods and services had come down together, only fixed charges would have caused trouble. We would have been better off if we had maintained the price level where it was in 1929, but we did not, and hence it was necessary to adjust individual prices and wage rates.

Senator McCarran. Speaking of fixed charges, that brings us to the reason for the fixed charges, and that brings us to the thought that taxation has a good deal to do with overhead and fixed charges, and the high tax rate and the high levies for taxing purposes, and things of that kind. Perhaps that reflects back to our own methods of expenditures.

Senator Hatch. I think so.

Mr. King. I agree with you most heartily. The present system of Government relief, by which it is proposed to pay high wages to people and get little or nothing in return, of course, means high taxes. It seems to me that it will inevitably end in Government bankruptcy. I think that is certain to happen if relief expenditures continue at the present rate and we don't get rid of unemployment. I don't believe we can do that by any means except to reduce the price of labor to the point where the market will absorb it.

Senator McCarran. That is, to reduce it to the point where the market of private industry will absorb it?

Mr. King. Where the market of private industry will absorb it.

Senator McCarran. Do you not think, so long as we continue national absorption of the unemployed through the payment of wages that we are not encouraging industry to absorb the unemployed, to a large extent, at least?

Mr. King. I can illustrate that by what has happened in my own office. At the request of the relief administrator I took over the direction of certain projects and employed a certain number of statistical workers in New York. They are being paid by the city for working a short week about as much as they would get from private employment for working a long week. Naturally, they are not very anxious to take private employment, because they would not have such easy work. They can earn nearly as much in their present employment working 6 hours a day as they could in private employment working 7 or 8 hours a day, besides overtime, and that sort of thing. I think the same is true to a great extent in most other places. However, these boys and girls have been working hard while they have worked. In many other relief enterprises, by contrast, the workers do almost nothing. We were told that, in a recent snowstorm, the city officials were unable to find many men to shovel snow from the streets. So many people were getting relief, that few wanted to shovel snow. I don't know why they should want to do so.

Senator Hatch. I do not blame them. There is one thing about which I would like to have your theory. I have enjoyed what you have said this morning.

Mr. King. Thank you very much.

Senator Hatch. We have seen for nearly five years that the price of manufactured articles, such as agricultural implements, for instance, has not been reduced commensurately with the general downward trend.

Mr. King. That is right.

Senator Hatch. You do believe it does not make very much difference whether a man gets $5 or $10 a day, provided the $5 bill will have as much purchasing power as the $10, with which I agree, but how are you going to bring about a general reduction when a reduction has not been made in prices to the consumer?

Mr. King. I think that is an extremely difficult thing to accomplish. I am not sure that it can be done, but I believe a change in attitude will go much further in accomplishing it than has been done so far. In 1930, President Hoover, the Secretary of the Treasury, and the Secretary of Labor united in asking employers to maintain

wage rates. Clearly, employers cannot maintain wage rates and cut their prices, because wages are a large part of the cost of their products. I pointed out to the Secretary of the Treasury and the Secretary of Labor at that time that it was a very fine idea to maintain wage rates, but that it was inevitable that, if the price level continued to fall, wage rates would be forced down. And wages did come down. It could not be otherwise.

Now, during the past 5 years, we have been continually preaching to industry the necessity of maintaining wage rates. If wages are maintained, employers are going to try to maintain prices. It is remarkable how, under the N. R. A., industry cooperated with the Government. Things were done which one would have said in advance could not possibly be done. Suppose that the manufacturers were now urged by the Government to use their participation in the N. R. A. as a means to cooperate with other employers to reduce wages per hour or per piece, and to reduce the prices of their products until they could market their products in large volume. They should also reduce the dividends on stocks proportionately. Suppose that this program were made a national policy. I am not sure that you would not find just as much cooperation as you have ever had in the N. R. A.

I understand that a few companies have followed the policy just outlined. I was told recently by an employee of the Western Union that the company executive called in leading employees, and representatives of other employees, and pointed out what the company earnings were, and asked the group what they thought should be done about wages and salaries, and that the group agreed upon a schedule. I know of other cases of small firms that have acted similarly. I think something might be accomplished by corresponding action on a large scale.

I would say, in answer to your question, in general, that it would be much easier and probably just as effective if the Government were to proceed to raise the price level back to where it was in 1929, while refraining from raising wage rates any higher than they are now, until employment became complete and the unemployed were absorbed. Then wages would go up automatically. They should go up then, but not until then. We want labor to earn just as much as possible, but we don't want to fix wage rates which will prevent the unemployed from being employed.

Senator HATCH. That last statement brings to mind this thought: It would be easier also to overcome the difficulty of the fixed charges.

Mr. KING. Very much.

Senator HATCH. Which have been created on a high level.

Mr. KING. You would get rid of the increase in the burden of fixed charges.

Senator HATCH. Without getting rid of those, that situation cannot be solved, can it?

Mr. KING. The fixed charges will eventually solve themselves by the debts being paid off or written off. They are not a terrific burden on most industries, but, in some, they are quite burdensome.

Senator HATCH. You say these fixed charges that were created during this high level of prices will ultimately be paid off. If the price level is lowered and maintained at a low level, how will these debts ever be paid off?

Mr. KING. In many cases they will be eliminated only through bankruptcy, which is a very poor and inefficient way of doing it. I am not advocating that, I assure you. I think the easiest way to reduce the burden is to raise the price level. However, wages should be kept down until the market will absorb the unemployed. I believe the laborer should earn as much as he can get. That aim is as important as anything we can advocate; but I do not believe in his trying to get something for nothing.

Senator HATCH. Then your basic objection to the 30-hour week is that it will tend to increase costs?

Mr. KING. It will tend to increase costs and diminish the total volume of sales and increase the volume of unemployment.

Senator McCARRAN. I would like to carry that a little further, in order that you may undersand the thought I have in mind. You think we could not absorb the unemployed by means of the 30-hour week, and thus increase our purchasing power?

Mr. KING. The more goods that are produced the more the purchasing power will be, because goods are themselves purchasing power. When you produce goods you have something to exchange with the other fellow.

Senator McCARRAN. If the 30-hour week bill would take off the large burden of unemployment and thereby produce a great amount of goods, would it not accomplish the very thing you advocate?

Mr. KING. If it would, yes; but my contention is that it would increase the amount of unemployment.

Senator McCARRAN. I probably missed your discussion of that particular subject. Would you mind dwelling on that a little?

Mr. KING. I shall be glad to. The only way you can get more goods sold to the consumer is to reduce the price of the goods. If you do that, and the consumer has the necessary income, he can buy twice as many goods at half the price per unit. If prices are sufficiently low, all the goods all the people can produce in 60 hours a week can readily be sold. Whenever there is a market for the goods, there springs up automatically a demand for labor at some price. Enterprises cannot produce goods without labor. They will want to hire labor and will employ labor, at the right price.

I had a good illustration of that a few days ago. I was talking to a gentleman who runs a clothing factory in Kentucky. He said that, when the N. R. A. code went in effect, it fixed the rate of pay of workers at 40 cents an hour as a minimum. He had numbers of employees who had been with his company for years. Many of these were quite inefficient—could not turn out many pieces per day or per week. He told me that he paid the same piece rate as that paid in factories generally throughout the country. He couldn't pay more or he couldn't sell his goods.

When the law said he had to pay 40 cents an hour as a minimum he found that the slower workers couldn't produce enough pieces per hour to earn 40 cents. They said to him, "What are we going to do?" He said, "I can't raise the piece rate because I can't sell my goods. The law says I can't hire you unless you can earn 40 cents an hour. If you can't do that I must lay you off." They said, "We are satisfied with the rate we are getting. We want work. We have no way to make a living." He said, "The law says I can't hire you

at any less than 40 cents per hour." He said he was compelled to lay off a large number of employees who had been with the company for years, and some of them were cast upon the relief rolls. Of course, this added to the tax bills. He was willing to give them work at the same rates paid elsewhere, and they were willing to work at those rates, but the law forbade it.

I have been doing some work for certain employers in the clothing industry. I find that competition is very keen. The result is that if the code raises wage rates even a trifle, workers are dismissed. By reducing the wage rates more people can be employed. The shorter the work week the more people are laid off.

Senator AUSTIN. I have read with a good deal of interest the testimony you gave before a similar committee on the former Black bill, particularly on the matter of wages. In that testimony which you gave did you present your theory as to what would raise the price level?

Mr. KING. I believe I did at that time.

Senator AUSTIN. It ocurred to me when reading it that practically every suggestion you made in that testimony had been carried into effect? Is that not so?

Mr. KING. A large portion of the suggestions have been put into effect.

Senator AUSTIN. Now, then, a question follows that. Have those practices accomplished the raising of the price level?

Mr. KING. They have acomplished the raising of the price level to a marked extent. They have not been carried far enough to raise it back to the 1926 level, but they have raised it a long distance.

Senator AUSTIN. What is your impression of the failure of prices to rise, as it was prophesied they would rise on the change in our monetary system?

Mr. KING. There have been several measures taken since that time. The first thing of moment was the President's announcement that he was going to raise prices. If you will look at chart no. 1 which lies before you, you will see a very sharp rise in wholesale prices occurring early in 1933. I have analyzed the reason for that rise. Prices rose almost entirely because of an increase in the velocity of circulation. The President's announcement did not increase the total amount of money. The velocity of circulation ran up, and prices went up very sharply. That increase in velocity represented an increase in confidence, I should say. The banking situation was put into better shape, giving more confidence, and diminishing hoarding.

After that, Professor Warren's policy of marking up the price of gold was put into operation. Professor Warren's policy resulted in a proportionate increase in the average price of those commodities entering into international trade. If you observe the general index computed from an average of 30 commodities, you will find that the rise in the prices almost exactly parallels the increase in the price of gold. So that policy was extremely effective, insofar as international commodities were concerned. It was the main factor responsible for raising the prices of many raw commodities such as wheat, cotton, and rubber. Changing the price of gold did not increase the amount of money in circulation in the United States. It affected the prices of international commodities. In foreign trade, prices are commonly expressed in terms of gold, and importers and exporters were, therefore, thinking in terms of gold. I have made a study in which I show that certain domestic prices in terms of gold were affected practically not at all by the change in the gold policy of the United States. However, after these international commodities rose in price there would naturally be a slow tendency, as Professor Warren has pointed out, for all prices to be adjusted to that new level, because competition tends to shift business into the field in which the prices are going up. This process will take several years.

Recently we have been getting another rather steady run-up in prices, an ascent which has nothing to do with the run-up in the price of gold, for gold prices have not recently been marked up. I think that this recent rise is explained by the fact that the Government is now pursuing a policy similar to the one which I suggested in the hearings that you mentioned, though the form is slightly different. The idea is much the same. The Government is now selling bonds to the banks of the United States. It obtains in exchange for those bonds bank credit, and with that bank credit it is buying material goods, paying wages and salaries. By buying goods, it gives more purchasing power to the people who receive that bank credit, and their new purchasing power makes prices go up. So prices have risen during the Government campaign of selling bonds to the banks.

I suggested at the time of the hearing you mentioned that the Government accomplish the same end by issuing greenbacks in exchange for bonds. What they are doing now is issuing bank credit. Both will produce the same result.

Senator AUSTIN. Isn't this the natural question then: that having occurred, the price level having been raised, what has interfered with the logical sequence of events; that is, increased production, increased employment, fewer on the relief rolls? What has prevented that?

Mr. KING. You will find, if you refer to the first three charts in the set of charts I handed you, that, during early 1933 the price level rose rapidly.

Senator AUSTIN. You are now pointing to the last blank space in the vertical column?

Mr. KING. That is right. That is the period in which the price level rose rapidly, and there was as yet no restriction upon industry. Practically all industry went ahead by leaps and bounds. Colonel Ayres' chart shows that recovery was about four times as rapid in that period as in any like interval in the history of the United States. When the Government began to put restrictions upon industry, that rapid rise ceased.

As soon as the Government began to put restrictions on hours of labor, those restrictions tended to offset the effects of the increasing price level. When we pay out relief in great quantities, that procedure also helps to keep more rigid the wage rates, so that they cannot be adjusted to new levels. There has been no adequate downward adjustment of wage rates. The restrictionists did everything they could, as I see it, to prevent recovery. The price level increase, I believe, is the only thing which has kept conditions as good as they are. My opinion is that the slow but continuous rise in prices is

what has accounted for the great improvement in business which we have had recently.

Senator McCARRAN. I think you have given a very clear explanation.

Senator HATCH. Thank you very much, Doctor.

STATEMENT OF GUS W. DYER, VANDERBILT UNIVERSITY, NASHVILLE, TENN., REPRESENTING THE SOUTHERN INDUSTRIAL COUNCIL

Senator HATCH. Please state your name and where you live.

Mr. DYER. Gus W. Dyer, Vanderbilt University, Nashville, Tenn.

Senator HATCH. You represent the Southern Industrial Council?

Mr. DYER. Yes, sir.

Senator HATCH. You may proceed.

Mr. DYER. I would like to make a brief statement, and then I will be glad to answer any questions, or you can stop me at any point, if you wish to ask questions. Not that I feel I can answer your questions, but I will make an attempt to do so.

I am here simply trying to state certain conclusions with respect to what I believe the practical effect of the 30-hour law will be upon industry.

The sole purpose of this law as expressed in the bill is to bring about general economic recovery. It has to do only with general economic recovery and the functions of the Federal Government in relation to business. Hence the criticism of the bill will be limited to these two spheres—the economic principles and measures advocated and the functions of government expressed in relation to business.

In substance the bill compels practically all business concerns to reduce hours of labor to 30 hours per week and specifies that 6 hours shall be fixed as a day's work. Hence the week's work must be done in 5 days. It further specifies that it shall be unlawful for any employer to reduce directly or indirectly the daily, weekly, or monthly wage rate in effect at the time the law goes into effect.

Taking 40 hours as the average of a week's work under the present system the change from a 44-hour week to a 30-hour week would mean an arbitrary increase in wages of 33⅓ percent.

The necessary limits of time and conditions in general prohibit any extended argument or any use of data in support of positions taken. About all I can do is to advance certain opinions and conclusions with a very limited statement for my reasons for holding these opinions and drawing these conclusions. This of necessity makes my criticism very limited and inadequate.

The probable effect of the proposed law on business in general and on economic recovery, as I see it, would be as follows:

First, it would close many business concerns and throw a very large number of workers out of employment. It is conceded by all that a very large number of business concerns at the present time are practically making no profits at all. Many are losing money. Many are making a very small profit. Few are making more than a fair return on their investment. A very large proportion of those in the groups that are losing money, that are making no money, and that are making very small profit, it is believed would be forced out of business. They could not stand an arbitrary increase in costs of 33⅓ percent in wages. It would be extremely difficult for many that are now making fair profits to stand such a shock.

Second, the proposed law would bring an unusual hardship on the small industries and on small business concerns in general. The big corporations could use their reserves and their superior credit to carry them over perhaps, but the smaller industries would have to fight for their lives under such an usually heavy burden and it is believed that many of them would be forced into bankruptcy. The generally accepted theory that the big corporations have driven out the small industries is without foundation. A very large proportion of the manufacturing in this country today is carried on by small industries as the following figures will show:

In 1929 there were 210,950 manufacturing establishments in this country. 7,426 worked no wage hours at all; 95,767, or practically one-half, worked from 1 to 5 wage hours; 53,524 worked from 6 to 20 wage hours; 25,022 worked from 21 to 50 wage hours; 12,467 worked from 51 to 100 wage hours. Over 1½ million employees worked in factories that employed from 1 to 50 employees. Over 2½ million worked in factories employing from 1 to 100 employees. More than 194,000 of the 210,000 factories worked from 1 to 100 employees.

Senator AUSTIN. What is the source of that information?

Mr. DYER. The census of 1929.

It seems we are in danger of being misled on the theory of a proposition like this by the hallucination that it is the big factories that are affected. As a matter of fact, in the South especially, the factories are small. Not only are these small factories existing, but they are theoretically in competition with the big concerns. To put a burden of 33½ percent extra wage cost on a small factory that has no reserve, has limited credit, would practically make it impossible to continue in business. If you would examine the statistics when the hours were reduced before and wages arbitrarily increased—perhaps you have examined them—you would be surprised at the number of factories that closed. A factory belonging to the president of the Southern Industrial Conference, or of which he was president, closed. Why? They were manufacturing blankets, and they were selling them at $5.50. The additional burden of wages forced them to advance the price of their blankets to $8, and there was no sale for blankets at $8.

Third, the proposed policy would certainly reduce exports radically. The increased cost of production would be a great factor in driving us out of foreign markets, and bring us much nearer the point that would stamp us as a hermit nation. This policy would be good news to our Japanese friends and to other foreigners who will rush in to take advantage of the high cost of production forced on business in this country by the Government.

As I interpret the economic theory expressed in this bill it is as follows: Men can't buy goods unless they have money. Men are without money today because they are without adequate wages. To meet this situation and to solve the problem of economic recovery, we will reduce the hours of labor one-fourth and keep the wages the same, thus increasing wages for work done 33⅓ percent. This will add millions to the pay rolls at the higher wage rate, and out will

jump the rabbit from the magic black hat. The theory is that this enormous new buying power created by governmental decree and governmental legerdemain will put new life in business and bring back prosperity.

The idea that the Government can bring about economic recovery and restore normal business by creating a huge new buying power through forcing consumers to make large and continuous gifts to employees is the most conspicuous economic fallacy that has ever been seriously considered by people of intelligence. It hardly deserves to be classed with the fallacy of perpetual motion, for this fallacy prevailed before the laws of physics were generally known and passed out with the spread of knowledge.

From what source will this increased buying power created by advancing wages 33⅓ percent come? It could not be taken from capital. Any considerable amount of this assessed on capital would destroy business, and every man who knows anything about business knows that. This huge sum created by arbitrary increase of wages would of necessity be assessed on the millions of consumers.

Senator HATCH. We will have to suspend now until 2 o'clock.

(Whereupon, at 12 noon, a recess was taken until 2 p. m.)

AFTERNOON SESSION

The subcommittee reconvened at the expiration of the recess, 2 p. m.

Senator HATCH (presiding). Dr. Dyer, you may finish your statement now.

STATEMENT OF G. W. DYER, REPRESENTING THE SOUTHERN INDUSTRIAL COUNCIL—Resumed

Mr. DYER. Mr. Chairman, when the recess was taken I believe I made the statement that the theory of increasing business by arbitrarily increasing buying power through arbitrarily raising wages was an economic fallacy. Of course, that is an opinion, and others may have different opinions; but I do not believe there is a single economist—I cannot absolutely prove this—of first-water ability anywhere that would subscribe to that, and I do not think you will find a first-water ability business man that would subscribe to it.

I closed this morning with a statement regarding the 33⅓ percent increase in wages in order to create a huge fund to increase buying power to bring about economic recovery.

From what source will this increased buying power, created by advancing wages 33⅓ percent, come? It could not be taken from capital. Any considerable amount of this assessed on capital would destroy business. This huge sum created by arbitrary increase of wages would of necessity be assessed on the millions of consumers.

This 33⅓ percent advance would be assessed on business as an extra cost, and of necessity would be shifted to the price of commodities, and hence would be collected from the millions of consumers, most of whom are much poorer than those to whom they are forced to give a bonus.

The heavy advance in prices thus made necessary would radically reduce the demand for goods, and this would reduce production

and close many industries, it is believed, and force the industries that continued to cut down employment. Of course, it is the recognized law everywhere that as prices advance, other things being the same, the demand decreases. Every industry would be forced to cut labor cost in every way possible in order to carry the extra burden. Every labor-saving machine and labor-saving device possible would be introduced to cut down labor cost. The conditions created would force business concerns to dismiss the slow workers, who are often the best, and inefficient labor of every type, and employ only the highest-paid workers.

Now, this money—unjustly, as I see it—taken from consumers and distributors as gifts to the wage earners has just as much buying power in the hands of the consumers as it has in the hands of wage earners. To transfer it from one group of buyers to another group of buyers does not increase buying power one penny, as the buying power of employees is increased in exactly the same proportion as the buying power of consumers decreases.

The whole theory that to draw a fund from one group of buyers and simply transfer it to another group of buyers increases buying power is contrary to every principle of logic, as I see it. Therefore, the theory that business can be stimulated and increased and recovery can be brought back by simply transferring money from one group to another, to me, is decidedly an economic fallacy. If a principle is sound, it is sound all the way through. It is not sound up to a certain point and then becomes unsound.

If the principle is sound that new buying power may be created and general prosperity achieved by reducing the hours of labor to 6 hours a day and increasing wages 33⅓ percent, why not reduce the hours to 5, 4, 3, 2, 1 hour a day, or just have employees to come down to the factory at 10 o'clock in the morning in their Cadillacs and leave their cards? If a 33⅓-percent advance in wages with a radical reduction in hours will bring ordinary prosperity, a 100-percent increase in wages with a more radical reduction of hours ought to bring a boom to business.

Great number of workers who could make a living working the longer day and maintain their American independence would be driven out of employment by their Government and forced to join the great rapidly increasing army of dependents. This bill prohibits men who could support themselves, if free, from accepting employment that would enable them to take care of themselves and preserve their independence.

Anybody who has had any experience with labor knows that a great number of workers are slow. Often the best workers are slow, and you cannot speed them up. I have one working for me now that I think it would be impossible to speed up. These men could easily take care of themselves if they were permitted to work what is called a reasonable day by men, but if you force them to work 6 hours, you make it impossible for them to take care of themselves. There is an enormous body of workers who are inefficient. I have only three working for me at the present time and all are inefficient. I live in the country. If we were under a code I would have to dismiss all three of them. I could not keep them. And when you raise the wage rate and reduce the hours you, of necessity, force business

to turn off the great group that should have our special care, and confine employment only to the efficient and skilled.

It is believed, facing facts as they are, that if this bill becomes a law it will increase the number on Government charity by millions, just as the law under N. R. A., after it was passed, containing a minimum wage and reducing hours and raising wages, added millions to the great army of dependents, until today 1 person out of every 7 in this country is supported by the Government. That means that in a village of 700 people 100 are receiving charity. This is perhaps the most serious problem that comes up with reference to this deal. I consider it far more serious than any economic advantage or disadvantage.

Senator HATCH. Dr. Dyer, you would not want to be understood as saying that the N. R. A. had brought about that condition?

Mr. DYER. It helped to do it tremendously, I think; and you can see why. For instance, the motive was fine; the purpose was to help the helpless. Now, when you put a minimum wage, say, of $14 a week for girls—I am now speaking from practical business and not from theory—a great many people thought that would mean that the girl who was getting $8 or $9 or $10 a week would then get $14 a week. Not a bit of it. It meant that the girl who was getting $8 or $9 or $10 a week would be turned off, and that the girls and men who could make their living at the lower wage would be forced on relief. I do not think you can escape from it. If you still raise that higher will it not of necessity force a much greater number on relief?

We know that there are a great many men and women who cannot produce much. They could make $8 or $9 a week. They cannot produce $14. Then these restrictions really prohibit them from making a living and force them on Government charity. I do not see how it can be escaped.

I do not mean to say that that is the only thing. It contributed, I think, tremendously to it, because it is a very strange condition of things that notwithstanding the fact that the Government has distributed 5 billion dollars everywhere, in every corner of the country, that under ordinary circumstances should have increased employment tremendously, but just the opposite has taken place; with all that distribution of the 5 billion dollars the roll of dependents has gone up by millions. You cannot very well bring those two things together. I am just expressing an opinion and trying to put it in a logical way. As to charity, the Government can hardly do a greater injustice to a citizen than force him on charity.

Charity and equality of status or independence are deadly enemies. If one comes in the other must go out. Charity, like narcotics, always injures the receiver. It destroys his independence, makes him think less of himself, and tends to completely crush his spirit. Self-respect is the foundation of character and manhood, and charity destroys self-respect. Those who accept charity and live on charity, of necessity, develop the character and the habits and attitude of the parasite. The more they get the more they demand. They have no appreciation for the gifts they receive, and curse the giver when the gifts stop. The pauperized may be counted on to hate the government that pauperized them, and they ought to hate it. A government that takes advantage of the ignorance and weakness of its citizens to "trick" them into trading their priceless independance for a mess of pottage, deserves to be hated and detested. Parasitism is always a despicable, destructive force in human society, and parasitism is the natural product of charity.

I am not against charity. We have to distribute charity. But to voluntarily adopt a policy of the Government that of necessity forces men on charity, and forces them to become parasites and tends to destroy their manhood and character is a most questionable thing to do.

This bill provides for an all-powerful boycotting system to punish and destroy indirectly those that it cannot reach directly for the crime of exercising what are conceded to be constitutional rights. If a factory, shop, hotel or other business enterprise not engaged in interstate commerce does not conform to the mandates of Congress, the Federal Government, through all of its agencies is ordered to boycott such enterprise in every way possible. Government agencies are not permitted to patronize such business concerns. The Government must refuse to make any loans to such enterprise and must refuse to renew any loans made. Not only is it a boycott, but it makes everybody that does any business with the Government line up and destroy people who are doing nothing but exercising their constitutional rights. I never heard of such a preposterous condition taken by any Government in the history of civilization. I would like somebody to point me to a single case where the Government has organized to boycott its own citizens for exercising their constitutional rights.

The right of man to work and maintain his independence is one of the fundamental human rights of civilization. This bill prohibits him from working sufficiently to maintain himself. If he works 6 hours and cannot make a living he is not allowed to go on and continue and support himself.

It was one of the inalienable rights made by Jefferson in the Declaration of Independence—the inalienable right of the pursuit of happiness. It is more fundamental than the right of suffrage or the right of free speech. I know of no government, civilized or uncivilized, that has denied to its citizens this fundamental right. The proposed law not only repeals a principle of the Constitution, but also repeals one of the Ten Commandments: "Six days shalt thou labor and rest upon the seventh", says the Commandment. But a new commandment give I unto you, says the new Moses, "Five half days may thou workest if thou feelest like it and rest the sixth and seventh. If an employer permits a man to exceed the half-day limit by working on the sixth day, he is put into prison. This is the first time in all history that a government has seriously proposed making it a crime to keep a commandment given by the Lord in the Ten Commandments.

Senator HATCH. Dr. Dyer, do you think the Ten Commandments should be amended and the Bible rewritten, if this law is adopted?

Mr. DYER. Evidently, because I think you men who have taken an oath of office would be considerably mixed up on that. You would have to hold your hand on something else unless you changed it.

I have stated just briefly the principles here. As I said in the beginning, they are conclusions. In the limited time allotted we

are not able to present documents. I do not know whether you would read them anyway.

I have tried to refrain from all technical terms and all tables and abstract reasoning, and to come down to practical business.

In the South we have a large number of small factories that are just starting up, struggling, of course, often local men with limited capital. That is true in the West as well, in a large measure. While the big corporations with big reserves could for a period stand almost any extra cost put on them, and I think some of them have been living on their reserves, I do not know how long they could continue.

But there is a new order of things that has come, and I think some people are not conscious of it. The new industrial revolution brought on by gasoline and electricity has destroyed isolation, and has made small towns in the rural sections more attractive places for business and manufacture than the great cities.

In Tennessee in the last 15 years we have had a large number of big industries locate. They are practically all in the country. In almost every town you will find the small factories going up, erected by local people. They have had a hard time, of course, in this depression. They have had a hard time keeping open. Some have not kept open. They have no reserves. Their credit is limited, and I do not see how we can escape the conclusion that to put on them this extra cost that they could not shift anywhere but on the consumer and the consumer would not stand it, they would have to close. I can see in the case of hogs we thought we were going to bring about great recovery by murdering 5,000,000 pigs, and the result is that I have to quit buying breakfast bacon. I cannot afford it. It is only for the rich. It is now between 30 and 40 cents a pound. I had to fall back on hamburger.

It is the consumer that controls business. You cannot put anything over on the consumer. You can put prices up, but with every single penny added a certain number of people withdraw, and in the end instead of increasing employment I doubt very much whether it would at all, and I have as a basis this: The whole theory of the N. R. A. was to put men back to work and, according to the statistics of the American Federation of Labor and others, instead of putting men to work there are more out of employment now than before. The whole thing has fallen down, and it seems to me in view of that fact to go right on and repeat the thing in principle and carry it further is a strange procedure.

STATEMENT OF JACK E. G. FROST, ASSISTANT TO THE PRESIDENT OF THE NATIONAL AUTOMOBILE DEALERS' ASSOCIATION, IN BEHALF OF THE NATIONAL AUTOMOBILE DEALERS' ASSOCIATION

Mr. FROST. Mr. Chairman and gentlemen: I represent the National Automobile Dealers' Association.

This organization is composed of over 30,000 retail automobile dealers. Our membership, therefore, embraces approximately 90 percent of all of the enfranchised automobile dealers in these United States. This group of automobile dealers employs in excess of 415,000 full-time employees and more than 12,000 part-time employees. The Department of Commerce, Bureau of Census, figures disclose that 18 percent of the business establishments of this country are listed within this group. We wish you to understand that in the above figures we have not included the manufacturers of automobiles or the manufacturers of petroleum products or other related trade manufacturing.

The reason for our presentation of this statement in opposition to the proposed 30-hour week bill is the urgent request of automobile dealers throughout this Nation who expect us, their representatives, to point out the great injury it could bring to their business.

Conditions within our trade are greatly improved. The recovery program as expressed in the Code for the Motor Vehicle Retailing Trade has established new hope throughout this great dealer body and we are definitely turned into the road to recovery. We have not received much as yet in the way of monetary gain but, on the other hand, we are creeping out of the morass into which this great trade fell and are vigorously working to effect our proper contribution to the national recovery. The membership in this association, comprising the great majority of all automobile dealers in the United States, is largely made up of the survivors of the greatest depression in the history of this trade.

This trade is the distributing point for the 1,400,000 automobiles manufactured in 1932, the 1,900,000 automobiles manufactured in 1934, and as may readily be seen, must adjust itself to care for these drastic changes in volume.

Of the 415,000 full-time employees, approximately one-third are salesmen. Historically, these men have worked on a commission basis, so their cost has risen or fallen with the tide of sales. Guaranteed earnings to salesmen have been uncommon to this trade, but as an illustration of the desire and endeavor to assist in the great national recovery program, we point out that here is the only trade to establish for this type of employee a fixed minimum earning in its code. We cite this as an example of the desire and intention of this trade to support the administration's great recovery program.

Two-thirds of our employees, with the small exception of the higher-salaried employees, have received a guarantee of minimum wage under the provisions of our code, the Code of the Motor Vehicle Retailing Trade, which was approved and became effective October 3, 1933. Within this code we have established a maximum of 44 hours per week as it concerns employees other than salesmen and the higher-salaried employees.

The condition of this trade prior to 1934, and later than 1931, should be clearly understood before any conclusions are reached which determine its present ability to stand further stresses in the nature of increased costs of doing business. In this connection we can state that this trade stood at its own death's doorway and had not the application of the general recovery program and the code for this trade been made effective when it was, we sincerely doubt that this Association could have come before you today and stated that there were in excess of 15,000 automobile dealers in these United States. In support of this statement, we file the report of Deputy Administrator Ammerman of the National Recovery Administration as it recounts quite well the condition this trade was in prior to October 3, 1933.

This affidavit you will find separately attached as exhibit A. It should be further understood that the figures of 1,470,000 motor vehicles sold in 1932 to the 1,900,000 motor vehicles sold in 1934 marks a degree of change greater than indicated by practically any other index. Pertinent, therefore, to this point is the statement that these motor vehicles were sold by automobile dealers whose condition in 1932 is quite well reflected by the figure in total for that year and whose improvement from that condition is well reflected in the figure in total for 1934. Regardless of what credit may be taken to other industries in affecting this change and regardless of the credit which may be taken within the scope of the entire national recovery program, we feel secure in concluding that were it not for the effects of the provisions of the code of the motor vehicle retailing trade upon that particular trade, such great degree of change would never have taken place.

To say that the 30,000 automobile dealers and their 415,000 employees are enthusiastically and energetically supporting the great recovery program of this administration, is to put the statement too mildly.

We come, therefore, as a friend of the court and as a friend of the administration to advise in support of this great recovery program that the step now suggested cannot be reasonably taken by this trade and to set forth the reasons therefor. We are certain, for otherwise we should not chance an objection, that we have reached an almost irreducible minimum as it affects the maximum hours of the employees of this particular trade.

Over two-thirds of our employees are engaged in the operation of that which is called the "service department" of this business. In this department we are presently operating on a maximum hour schedule of 44 hours per week. On a 30-hour week, due to the peculiarity of this business we would not be able to establish in advance for any one week a minimum amount of anticipated work at the average for a previous week without finding that the maximum amount of work required for any one of several days of the week would have to be met through readily available additional employees. The dealership experiences within the days of practically any one week great changes in the volume of its business. In other words, we experience higher hills of volume and lower valleys of volume than does practically any other trade about which we are informed.

The service, maintenance, and repair of automobiles requires far different rules for handling than does practically any other business. First it is necessary to consider the nature of the commodity handled. Transportation by automobile is satisfactory only so long as it is not interrupted by any mechanical delays. The users of automobiles require, therefore, rapid work when their vehicles get out of order. Changes in weather and season affect this business to a high degree. Rainy weather brings in a volume of work concerned with brakes and ignition particularly. Sudden cold weather changes bring radiator and maintenance work in volume. Seasonal periods such as spring and early summer bring a volume of tourist trade into the resort points and often a small decline in the cities. It is not possible to move the men for the total number of man-hours required from one city to another in much greater degree than is presently done. The 44-hour week now established in our code has spread a sufficient amount of employment so as to make the employees, who prefer the conditions of the city, stay near to the dealers in cities and pick up additional jobs which were opened thereby.

In the cities, it is far more simple to specialize the work of this type of employee than it is in the country or smaller towns. In the city we can have ignition specialists, motor specialists, body specialists, and so forth. This is not true in the smaller points since the volume of each division of this work is not sufficient to make possible this specialization. Therefore, the class of employee required in the smaller communities is the general all-around employee able to do all types of work and this type individual can demand steady work when he goes to the smaller cities and towns. Consequently, the demand in the smaller towns, and they comprise over half the dealers in the Nation, are unable to reduce the hours of work for steady employment without increasing the rate per hour. They would be unable to find a sufficient number of additional employees to work the needed additional 14 hours per week either at increased wages or at the present hourly rate.

In this connection, we point to factual studies taken from the books and records of automobile dealers located in the District of Columbia. These are typical of the trade. These we have marked as "Exhibit B." A glance at these facts quickly proves the conservatism of the following statement. A 30-hour week would virtually make it necessary to keep a reserve supply of general-repair men readily available in a number comprising almost 46 percent of the total regularly engaged if those regularly engaged were counted along the line of the average minimum required.

The average rate of the employee—those employees composing two-thirds of our total—is approximately 62 cents per hour, or approximately $27.50 per week. Reference: Transcript of the hearing on the Motor Vehicle Retailing Trade Code in that section covering the remarks of Dr. Seltzer appearing in the interest of labor on the part of that department. In the instance of a shop wherein 10 employees were able to dispose of the volume of work above described as the minimum, which could be anticipated, 10 men working a maximum of 40 hours per week would consume a total of 440 hours at an expense of $272.80 per week. If these men were to receive an equivalent amount per week to that presently received the 30-hour week would require an average of 91 cents per hour instead of the present 62 cents per hour.

The present average earning of these employees is not sufficiently high as to be regarded as a sum which can be distributed among more employees, at least with results that could contribute to the general recovery. The choice, then, lies between reduction of these wages, which, in our opinion, should not be reduced, while adding more men at the same wage in order to cope with the demands of the work or continuing the present average weekly earning for employees and handling of the required additional 140 hours per week of work through an additional cost of $127.40 per week. This would maintain the present average. This would cost the automobile dealer, therefore, $6,644 additional per year for the handling of the work set forth in the above example.

Pertinent to the following point is the fact that 50 percent of the automobiles sold by this trade are sold in towns with a population of 10,000 and less. Approximately 50 percent of the automobile dealers in this trade sell 50 and less cars per year. Obviously, over 50 percent of this trade is represented in small towns.

The code under which this trade operates provides a maximum of 44 hours per week. We find no surplus of available employees in the smaller towns sufficient to cope with the extreme peaks above a safe minimum which this trade experiences throughout its regular week's work. In this connection we cite a specific example in Saratoga, N. Y., where within this year just past it was necessary for the dealers operating at this semiresort point to request an exemption from the restrictions of their code with a maximum of 44 hours per week. Many other such exceptions were likewise requested. These dealers experienced a demand on the part of the public which could not be satisfied, either through the use of their regular, full-time employees at 44 hours maximum or through the complete exhaustion of the supply of additional employees available at this point. Even though this town is close to Albany and not far from the city of New York, it was impossible to meet the demands of the public and the resulting volume of business, since the required additional employees were not available. Furthermore, over 50 percent of our dealers located in these smaller communities find it presently difficult under the 44-hour-week provision to obtain the needed qualified extra employees to meet the peaks of demand upon their business.

Either the public must pay the bill or the dealer must pay the bill. The conditions within this trade are such as to positively let us conclude that we are unable to pay the additional cost which would be imposed through a 30-hour week. May we again explain that our employees cannot stand the reduction in weekly earnings which would result from the continuation of their present hourly rate multiplied by 30 hours per week work. Dropping 14 hours per week of work at their present hourly rate would reduce their earnings to such a point as to make it impossible for them to live and spend in a fashion conducive to an improved social and economic condition. The workers themselves are clamoring for more hours per week, indicating a willingness to work more hours in order to increase the sum total of their pay check at the end of the week's work. The trade has no cash surplus from which to draw this added cost nor has it any presently anticipated increase in current earnings from which to draw any added cost. Consequently, only one means of paying this bill would remain and that in the views of this trade would constitute an unsound move at this time. To charge the public more, to raise prices and to therefrom expect to pay the bill appears as a great and dangerous step to take.

In conclusion, permit us to therefore point out that we are faced with one of three choices:

First, to reduce the weekly pay check of our present employees one-third of its total amount; or

Second, to increase the cost of our dealers by over 40 percent in their pay roll; or

Third, to create an extra supply of suitable qualified employees for this trade amounting to 40 percent of the number presently employed and to keep them standing by hoping to get 14 hours per week of work at the present average hourly rate.

The first choice we certainly do not want to make since our employees have also suffered through the depression and should now have an opportunity to be rewarded with at least a living wage.

The second choice embraces the need for continuing our present employees average weekly earning while at the same time engaging additional employees at that same average weekly earning, reduced to hours and working these additional employees the needed 14 extra hours. This raises our dealers' payroll cost over 40 percent and we can assure any who care to investigate that our dealers are positively unable to stand this increased cost and that if such were imposed without a proportionate raise in prices to the public it would bankrupt vast numbers. We cannot believe that the public is able to pay this increased cost if such were transferred in its proper ratio to the prices we charge for our work.

The third choice of keeping a stand-by force of more than 40 percent more men than now are engaged in order to get the necessary man-hours of work would mean that this stand-by force at our present average hourly wage would not be earning a living wage with that figured against 14 hours. Furthermore, we are certain that there are not a sufficient number of properly qualified men available.

Furthermore, we are presently operating under a code establishing the minimum wage scale itself, so obviously we are not left the choice described as our third choice wherein we could continue the present average hourly rate and at the same time fill our requirements for the total man-hours. We, therefore, again conclude that only one of two choices is ours, unless the Government gave us relief in the amount of the wage and those can be summed up in one conclusion. If the 30-hour week were imposed on this particular trade we would have to raise our costs and not being able to afford to absorb these costs we would have to transfer them to our customers. We are sure that our customers would object vigorously and that the effects of such a raise could do nothing but reduce the volume of our sales and thereby bring further difficulties and create a new depression in this trade.

The National Automobile Dealers Association, representing this trade which reaches into every State in the Union and penetrates into the largest cities and smallest towns, would be dilatory in its duty were it not to express the deep gratitude this trade feels it owes the administration which gave it the code and gave the Nation the great recovery program. The objections we have raised to the proposed 30-hour week bill are the result of calm study on the part of our members and their insistent demand from every State that we convey to this body the reason for their objection. At 44 hours per week per employee we feel we have almost reached the irreducible minimum and in this our dealers are supported by their 415,000 employees. Therefore, both the voice of 30,000 dealers and that of their 415,000 employees must be brought forcibly to this body. We appeal and beg of you to not convert the progress in recovery we are now experiencing into the chaos of loss from which we are just emerging.

Senator HATCH. Are there any questions, Senator Austin?
Senator AUSTIN. No.
Senator HATCH. Thank you, Mr. Frost.
Mr. Conover, you may proceed now.

STATEMENT OF JULIAN D. CONOVER, SECRETARY THE AMERICAN MINING CONGRESS

Mr. CONOVER. As arranged with the chairman, this is somewhat of a joint presentation. I should like to make a general statement in behalf of the mining industry as a whole, which will be followed by statements from representatives from different branches of the industry and from different mining companies who are very much interested in this subject. We shall all be very glad to try to save the time of the committee and to give any information we can that will be helpful.

The purpose of this proposed legislation is to increase employment and wages. Without any doubt everybody would be happy to contribute to that accomplishment. Could we believe that this measure would effect its purpose we would support it. The fact that the mining industry has spread employment to the greatest possible degree, even to the extent of operating properties at a loss and carrying on unneeded development work, is evidence of our sympathy with the objectives of this bill. However, we oppose the bill because we believe, and think we know, that it would not only fail to accomplish its purpose but would be an effective bar to that accomplishment by suspension of the operation of normal recuperative forces.

Briefly stated we oppose this bill.

First. Because it does not recognize the inexorable fact that wages are and can be paid only out of the product of labor. This bill would reduce the product of labor and therefore would in the end inevitably reduce real wages in terms of net purchasing power, regardless of their measure in money. We want to increase the net purchasing power of wages to the greatest practicable extent. This bill would reduce it.

Second. Because legislation of this type is justifiable only on the assumption that labor is not receiving all that it earns—that is, its full share of the goods produced—whereas it is a matter of common knowledge, evidenced by the shrinking assets of employers, that labor is receiving its full wage, if not more, in terms of the value of the products of industry. The inability generally of mineral producers to get the price and volume of sales necessary to cover cost, of which labor on the whole, in the final analysis, constitutes more than 90 percent, is a fact which can be easily verified from governmental sources.

Third. Because it will decrease employment in two ways, namely: (*a*) It will increase the cost of goods, and hence the price of goods; hence it will diminish the consumption of goods and therefore decrease the labor employed in the production of goods; (*b*) it will stimulate production only of those goods which can be produced with the least possible employment of labor; the immediate effect will be to shift production to those places and establishments having the lowest cost of production in terms of labor hours.

Although these fundamental objections to this bill have application to industry generally, it is the duty of the American Mining Congress, which represents the principal branches of the mineral industry of the United States, to inform you in particular of the repressive effect this measure would have on the production of minerals and the employment of labor therein.

The mining industry is in general operating under an 8-hour day and 40-hour week, except in the case of anthracite coal, in which a 48-hour week is in effect, and bituminous coal, in which a 7-hour day and 35-hour week were fixed by code on April 1, 1934.

The 8-hour day is a basic feature of underground mining. In the larger and deeper mines, employing large numbers of men, there are many miles of underground workings, and considerable time is required in getting to or from the working places. A careful check in one of the large mines of Idaho recently showed an average of only 6 hours and 36 minutes at the working places, and a similar check in the mines of Utah, California, and several other States has shown only about 6 of the total 8 hours actually spent at the face.

With such a condition prevailing, reducing the shift from 8 to 6 hours would mean in reality a reduction of the working time to only 4 to 4½ hours, and would hence mean a far greater decrease in production per shift than indicated by the ratio of 8 to 6. The 6-hour shift would make it extremely difficult if not impossible to carry out the necessary cycle of operations—including preparation of the working place (with removal of the broken ore, and timbering where necessary), setting up the drill, drilling of the holes, dismounting and removing the drill, charging, and blasting—all of which must be completed in one shift in order that the powder smoke may be cleared away before the next shift goes to work. To have this cycle completed by other men, on a split-shift basis, would be impracticable and exceedingly dangerous. The necessity of blasting at the end of the shift and thereafter allowing a sufficient time for the toxic gases to be cleared from the mine, for unexploded holes to be located and reported, and other precautionary measures taken for the safety and health of the men is universally recognized, and the United States Bureau of Mines and the various State mining bureaus have emphasized the need of such procedure.

The increased cost for direct labor under the proposed law in most industries would be 33⅓ percent. In other words, a reduction from 8 to 6 hours per day, or 25 percent, without reduction of the daily wage, would mean an increase of 33⅓ percent in the wage rate per hour. In underground mining operations, however, the increase in labor cost would be considerably more than this, due to the greater proportionate reduction in time spent at the working place. Thus, where the actual effective working time under a nominal 8-hour day is at present only 6 hours per day, this would be reduced to only 4 hours per day—a reduction of 33⅓ percent in effective hours—which would mean an increase of 50 percent in the wage paid for each hour of actual work.

Labor is the largest item of cost in underground mining, representing over 50 percent of the direct cost of most operations. Hence this bill would impose an immediate and large increase in costs of production. Such an increase, under present conditions, would neces-

sitate the closing of so many operations as actually to reduce the employment of labor instead of increasing it.

The foregoing affects not only the mining industry, but the mills, smelters, reduction plants, and refineries. To secure any kind of efficiency and economy, the work and the processes at these plants must be continuous. Supplies of crude ore or concentrates from the mines must be forthcoming as needed. The mines, in turn, are dependent on the smelters for the purchase and reduction of their ores. Mining and the reduction processes are interdependent; any measure which affects one adversely is detrimental to both.

Continuous operation of smelters if, of course, contingent upon sufficient ore receipts. Few smelters in the United States at this time are fortunate enough to have such receipts. This insufficiency adds to the difficulties and to the expense. The additional cost entailed by the proposed 6-hour day and 30-hour week, added to the difficulties arising from irregular supplies, must necessarily be reflected in the price received by the miner for his product. The cumulative effect of this increased cost of smelting, added to the increased cost of mining, would bear heavily upon the mine operator.

The products of the mining industry are basic raw materials, the prices of which are largely fixed in international markets. In some cases it would perhaps be possible to pass the increased cost on to the consumer, but with most mineral commodities the major part of the increased cost would undoubtedly fall upon the producer. This is particularly true where foreign competition is a factor, as it is in most cases, and where large excess stocks are now on hand. With the present large domestic stocks of nonferrous metals, for example, a rise in price commensurate with the increase in cost entailed by this bill can scarcely be hoped for. Prices of metals and minerals usually change slowly, whereas the increase in cost would be immediately effective.

Many mines have been operating at a loss in order to give employment and to avoid the heavy expense of a shut-down. Other mines have recently reopened in the hope that conditions were improving sufficiently to enable them to operate. The imposition of increased cost through the proposed law would reduce or wipe out the present slight margin of some mines, and increase the operating loss of others, and would cause many properties, employing large numbers of men, to suspend operations. Other mines which are now contemplating reopening would find any possibility of doing so indefinitely postponed. These statements are substantiated by representative telegrams from many mining companies and associations which we wish to submit for the record in this hearing.

Senator HATCH. They will be received and considered, but not printed.

(The telegrams above referred to will be found in the files of the committee.)

Mr. CONOVER. The proposed law would inevitably cause a shift to those materials in which the smallest amount of labor is employed. Thus, anthracite and bituminous coal, in which the direct labor cost is 60 to 70 percent of the total cost of production, would suffer further loss of business to oil and gas, which have a very small proportion of labor cost. Within the anthracite and bituminous coal industries themselves, as well as in the iron ore industry, the copper

industry, and others, there would be a pronounced tendency to increase the production of the open-pit or strip mines, in which large power-driven shovels are used, with the employment of comparatively few men and a high production per man. There would be a corresponding decrease in the production of the underground mines, which have a lower production per man, and in which far more men are employed.

It should be borne in mind that many mines, both coal and metal, are now operating only 3 or 4 days a week. Even if under the proposed law, with its higher costs, they should still be able to produce and sell as much ore or coal as at the present time, they would simply give their present employees an additional half-day's or day's work per week, and would not add any men to the pay roll.

In view of all these conditions it can be stated definitely that the proposed law would result in a net decrease rather than an increase of employment.

The seasonal nature of certain parts of the mining industry should also be given serious consideration. This applies particularly to coal mines, for which storage of the product is impracticable, and which can only be operated to meet demand as it arises. Open-pit and dredging operations in the colder parts of the country and Alaska, and many of the smaller mines located in mountainous regions, cannot be operated in the winter months. In order that the men dependent on such mines may earn an adequate annual wage, to support them during the periods that the mines are not operating, it is imperative that their weekly hours during the periods when it is possible for them to work should not be unduly reduced. In such cases, to spread the small amount of work available over a larger number of men would be manifestly unfair, and would result in totally insufficient annual earning power for all men employed.

With present excess capacity, the development of new ore bodies may not seem to be important at this time, yet we must not lose sight of the fact that mining is a wasting industry, that the present ore bodies will evenually be exhausted, and that if no new deposits are developed to take the place of those new being mined, we may find our great manufacturing industries without adequate supplies of certain raw materials needed for operation. The development of new ore bodies ordinarily requires several years. It carries risks which will not be undertaken if the costs of such work are made prohibitive through legislation such as here proposed. The purpose of this bill is to increase and not to stifle employment. Market demand limits the amount of employment in the extraction or production of minerals, but there is no limit to employment in the field of exploration and development of new mines. A large proportion of the present unemployment in the mining field has been caused by the discontinuance of prospecting and development, and the proposed 30-hour week would intensify rather than alleviate this condition.

The general effect of the proposed law on the mineral resources of the country would be distinctly wasteful and anticonservational. Increased costs would in many cases force the practice of selective mining—that is, the taking out of only the richer portions of ore bodies—leaving behind the associated lower-grade material which, due to caving of workings and other causes, would frequently never be recovered. Some of the mines forced to shut down would never

reopen at all because of the high cost of reequiping, retimbering, and dewatering which could not be amortized over the remaining ore reserves. It should also be borne in mind that the practice of selective mining, involving extraction of the higher grade ores, results in the employment of the fewer men per unit of product.

When it is considered that nearly half of the population in some of our Western States and large communities in the Middle Western, Eastern, and Southern States are dependent, directly or indirectly, on the operations of mines, it is evident that the results of legislation such as is being considered would be of a most serious and far-reaching character. In many of these communities the mines afford the only means of livelihood, and when they are closed the entire population is left without means of subsistence.

I have a very large number of telegrams here. I might read a few of them just to illustrate the sentiment that members of the mining industry have expressed. Here is one from Mr. Robert E. Tally, president United Verde Copper Co.:

NEW YORK CITY, *February 11, 1935.*

JULIAN CONOVER,
Secretary American Mining Congress,
Munsey Building, Washington, D. C.:

Analysis shows proposed 30-hour week legislation if passed would increase cost production copper in Arizona and other metal-mining States to an extent that these industries would be ruined and I hope the American Mining Congress will actively protest and do everything possible to defeat such legislation.

ROBERT E. TALLEY,
President United Verde Copper Co.

We have several others from Arizona which I shall not take time to read, indicating the number of men who would be thrown out of employment; one mine with 500 men, another with 950 men, and so on, where the margin is so small that they would be forced to suspend operations.

Here is one from Robert S. Palmer, secretary Colorado Mining Association:

DENVER, COLO., *February 8, 1935.*

JULIAN D. CONOVER,
Secretary American Mining Congress,
Munsey Building, Washington, D. C.:

Colorado mining industry would be paralyzed by the passage of the proposed 6-hour and 5-day week law. Operations great distances from community centers would be handicapped beyond reason. Miners, operators, and lessees unite in urging defeat of this bill.

COLORADO MINING ASSOCIATION,
By ROBERT S. PALMER, *Secretary.*

One from the executive committee, Idaho Mining Association, by J. W. Gwinn, secretary:

SECRETARY AMERICAN MINING CONGRESS,
Washington, D. C.:

Please present this wire protesting against the adoption of the 30-hour week before the Judiciary subcommittee. Such a bill would ruin efforts now being made to increase mining activity and relieve unemployment in the State. Many mines now operating unprofitably on 40-hour schedule and depleting ore reserves on low market solely to furnish employment to their organization will be forced to close if 30-hour week adopted thus adding many more to the relief rolls.

EXECUTIVE COMMITTEE, IDAHO MINING ASSOCIATION.
By J. W. GWINN, *Secretary.*

One from Mr. J. F. Woodbury, secretary New Mexico Chapter of the American Mining Congress:

SILVER CITY, N. MEX., *February 8, 1935.*

JULIAN D. CONOVER,
Secretary American Mining Congress,
Washington, D. C.:

Your wire relative to 30-hour bill received. Have talked with operators and am advised that the effect of such bill would be to close down the few operations that are now being carried on which would add to the existing unemployment situation. There are few mines now operating and these are not profitable. The loss which would be incurred by the passage of the 30-hour bill would be greater than close-down expense, hence result mentioned.

J. F. WOODBURY,
Secretary New Mexico Chapter.

Here is one from the Tri-State Zinc & Lead Ore Producers Association:

PICHER, OKLA., *February 8, 1935.*

AMERICAN MINING CONGRESS,
Washington, D. C.:

Tri-State mines now operating at average loss of over $1 per ton of concentrates and unless prices improve many are ready to shut down. Estimate proposed 30-hour week will increase labor costs alone approximately $2.50 per ton which certainly will promptly shut down many operations. Most mines operate a single 8-hour shift 5 days per week and not over 3 weeks out of 4 during past year. Shorter day would not increase number of shifts per week and only possible increase in employment would be in few best operations which might stand increased costs and be able to add men in mines to maintain tonnage and in few concentrating mills such as central mill and tailing mills where operations must be continuous through 24 hours. Any possible increase in employment certainly will be much more than offset by decreased number of operations. All operators join in vigorous opposition to proposed law feeling it will be disastrous to industry already marginal.

TRI-STATE ZINC & LEAD ORE PRODUCERS ASSOCIATION.
M. D. HARBAUGH, *Secretary.*

Here is one from the Utah Chapter of the American Mining Congress:

SALT LAKE CITY, UTAH, *February 8, 1935.*

AMERICAN MINING CONGRESS,
Munsey Building, Washington, D. C.:

Thirty-hour bill as proposed would greatly decrease instead of increase unemployment in our industry here and would result in complete suspension of large part of such work as is now in progress because 6-hour day is physically impossible in our underground work. Bill also contemplating an increase in pay-roll expense which cannot be borne by many companies under present and prospective metal prices. Recent survey by state F. E. R. A. shows more than 50 percent of Utahs unemployed heads of families were formerly employed by metal mines and smelters and this bill will make that situation worse.

UTAH CHAPTER, AMERICAN MINING CONGRESS.

Senator HATCH. Have you any questions, Senator Austin?

Senator AUSTIN. No.

Mr. CONOVER. If there are no questions, Mr. Chairman, I should like to introduce Mr. Madeira, Executive Director of the Anthracite Institute.

Senator HATCH. All right; we will now hear Mr. Madeira.

STATEMENT OF LOUIS C. MADIERA, III, EXECUTIVE DIRECTOR ANTHRACITE INSTITUTE

Mr. MADEIRA. My name is Louis C. Madeira III. I am executive director of the Anthracite Institute, a trade organization representing a vast majority of the anthracite-producing coal companies, and I am also the authorized representative of the Anthracite Coal Operators Association, a similar organization, representing some 30 or 40 other companies not members of the Institute. I have been connected with the anthracite industry for over 20 years.

In behalf of the anthracite industry, I desire to register its opposition to the 30-hour week bill proposed by Senator Black, not only on the fundamental grounds stated by others, but on the specific ground that the operation of the act would destroy the anthracite industry, and cause irreparable injury to those who look to it for employment.

Anthracite or hard coal is mined in a limited area in the eastern part of Pennsylvania, and is largely a domestic fuel. The industry has been paying war-time wages for the past 15 years, and efforts to effect a reduction in accordance with economic trends, have always been thwarted. The result is an excessively high labor cost of production with loss of markets to substitute fuels such as oil, gas, and electricity, where wage rate are lower and the labor costs of production is a less important factor.

Our position in this respect is similar to that of the bituminous industry which registered its opposition to this bill last week, except that the anthracite industry has suffered even more extensively. Lost markets of anthracite already equal 40 percent of the capacity of the mines, and this is due largely to inroads of competitive fuels. A critical condition has thus developed in this industry, forcing many operations to be closed or abandoned, and creating permanent unemployment for approximately 50,000 men formerly working in and around the mines.

The effect of the 30-hour law on this critical situation in the anthracite industry is obvious. The labor cost of producing anthracite is about 70 percent of the total cost, and may for the purpose of illustration, be placed at $3 or more per ton. To reduce hours from 48 to 30 would cut working time 37½ percent. To so cut the working time and maintain present weekly earnings as the 30-hour bill requires, would increase the labor cost per ton for all anthracite about 60 percent or $1.80 per ton. But this is not all. Since anthracite is sold in a number of sizes, and the smaller sizes known as "steam sizes" compete with bituminous, oil, and gas in such a way that they cannot be sold at a profit, the entire increased cost of production would have to be borne solely by the domestic sizes, which constitute a little more than one-half of the entire production. This would mean an addition of nearly $3.50 per ton to the selling price of egg, stove, and chestnut anthracite, such as is used to heat homes, in order to absorb the increased labor cost imposed on the entire output of the 30-hour bill. Such a price would open the flood-gates of competition from substitute fuels, and would result in closing down many more anthracite operations, and throwing out of employment many more miners.

Another competitive factor in this industry is the importation of foreign coal along the Eastern Seaboard, which is anthracite's logical and natural market. Russian, German, Welsh, and English coals now enter our ports free of duty to the extent of nearly a half a million tons a year. It can readily be seen what effect this free foreign coal has on the employment situation. It is obvious, therefore, that the passage of this act would operate to the further advantage of foreign fuels.

Let is also be remembered that anthracite is primarily a domestic fuel which makes its production a seasonal business, requiring peak periods. The supply and demand curve follows closely a temperature chart. For this reason, it is necessary to run the mines 48 hours a week in winter, and even then cold snaps sometimes produce dangers of shortage. The inflexible 30-hour week would prevent adequate service to the public, or would require that surplus facilities be maintained at great expense during normal periods, and would, therefore, work irreparable harm to the industry.

In the anthracite industry the bill would not only defeat its purposes, but would work veritable havoc. "Business chaos, bankruptcies, insolvencies, misery, destitution, and want", the very calamities which the bill professes to remedy would be the inevitable result of the operation of the bill, not only to the miners and their families, but to entire communities now dependent upon this industry. The railroads which carry the product would likewise suffer tremendous loss of income and contribute to unemployment. Entire cities would be afflicted and the flow of taxes would be stopped.

In practical operation, the bill could not be applied to the anthracite industry. In some industries, it may be possible to employ men on short shifts, and thus by work sharing, give employment to others, but in the anthracite industry, this is impracticable. The very character of the industry involving the extraction of coal under all kinds of mining conditions, precludes any continuous shifting of employees from one location to another.

In closing, let me again remind you that the enactment of this bill would bring extreme distress to an industry which is already suffering by reason of a loss of markets to competing fuels, and would further add to the unemployment in the anthracite field.

Senator HATCH. Have you any questions, Senator Austin?

Senator AUSTIN. Yes; I want to ask one question. Mr. Madeira, how do you arrive at the percentage stated, of 37½ percent of reduction of working time, in reducing the work week from 40 hours; oh, you reduce it from 48 hours?

Mr. MADEIRA. We have a 48-hour week, and you take 18 hours off that.

Senator HATCH. I was wondering about your statement where you said it would destroy your industry. My thought was turned to the section in the act which provides that upon submission of satisfactory proof exemption permits might be granted. Do you consider that possible in connection with your industry?

Mr. MADEIRA. I do not, frankly, Mr. Chairman.

Senator AUSTIN. Do you understand that that goes to exemptions of the industries?

Mr. MADEIRA. I thought it was for individuals.

Senator AUSTIN. We would have to exempt every man.

Mr. MADEIRA. That was why I did not dwell on it more.

Senator HATCH. That is the provision, that persons employed in that industry could be exempted.

Mr. MADEIRA. That would be very impracticable.

Senator HATCH. That is what I asked you, whether that provision would afford any relief.

Mr. MADEIRA. I do not see how it could; that is why I did not mention it.

Senator HATCH. You do not think that provision provides any remedy?

Mr. MADEIRA. No, sir.

STATEMENT OF W. L. HAEHNLEN, CHAIRMAN OF BOARD THE TONOPAH MINING CO. OF NEVADA, PHILADELPHIA, PA.

Mr. HAEHNLEN. Mr. Chairman, I have heard Mr. Conover's statement, and I cannot add anything to what he has said. I think it is a well-drawn statement, and I hope the committee will give attention to it.

There is one thing that I noted in connection with this bill; that is, the large employers of labor would be the large mine. The small operator would not count. The large mine is very naturally a lower-grade mine, and the labor differential would be so close it would decrease operations.

The Tonopah mine is one of the largest producers in the world. About 5 years ago we found that, largely due to the low price of metals, and, in addition, quite largely owing to labor costs, we were obliged to give up operations. We were operating at a loss. So we took the property and leased it. That is, the mine is divided into sections, and each of these is leased to 1 miner or 1 or 2 associated miners. They are making money. But if we had to employ miners and do the operating ourselves we would be operating in the red today. Those men are working for the most part 56 hours a week—7 days at 8 hours per day.

As Mr. Conover said, a large number of these American underground or deep mines have a large amount of underground workings. In our mine we have over 50 miles of underground working. When you pay your workers from collie to collie you get little work out of them. Any increase in wages, particularly 33⅓ percent, would put a great many of the mines out of business. We cannot advance the price and pass it on to the consumer at the prices today.

We are particularly interested in the railroad. We are running a 100-mile railroad there which is the life artery to all southern Nevada. An increase in cost would put that railroad completely out of business.

Senator AUSTIN. You mean by that statement that the real support for the railroad is the mine product?

Mr. HAEHNLEN. Absolutely. About 2 years ago we were practically out. We were back about 2 years in our taxes. A great many of the mines were closed down on account of the low metal prices, and we were about to "give up the ghost" when the metal prices advanced and our leases began to make a little money.

Senator AUSTIN. I hope you will not have to endure the pain of giving up the operation of the railroad.

Mr. HAEHNLEN. I saw the local authorities in Esmeraldo County. They said they were being pressed for money and they wanted taxes. I said, "We have no money but you can have that railroad." They said they did not want the railroad.

The point I want to get down to is that one thing is contributory to another—your mines, your railroad, your smelters. And of course, we help the Southern Pacific in their branch line. We would never begin to earn operating expenses if it were not for our road.

Personally, I am heartily in favor of shorter hours and better wages. I think some of us will live to see a 30-hour week. But you cannot force it by legislation. It will have to come gradually in different industries.

Senator HATCH. Can you tell me what population of Nevada is dependent on the mining industry?

Mr. HAEHNLEN. I would say over 50 percent. I would rather have you ask Senator McCarran or Senator Pittman that question.

This is of vital importance to that State. It would absolutely put these Nevada mines out of business. You can understand that a small mine with a high grade—say, a small mine with $50 gold ore—could afford to pay miners almost anything, but when you are operating on anywhere from $8 to $10 gold ore, the labor differential is very important.

Senator HATCH. Has not the silver program under the Government helped?

Mr. HAEHNLEN. Yes. Our railroad would be out of business if it had not been for this silver program of the Government.

Senator HATCH. I come from New Mexico, and our people want a litttle higher price than that.

Mr. HAEHNLEN. Of course, it would be very nice to get it, though somebody will have to pay the price.

STATEMENT OF A. E. BENDELARI, PRESIDENT EAGLE-PICHER MINING & SMELTING CO.

Mr. BENDELARI. Mr. Chairman, I am president of the Eagle-Picher Mining & Smelting Co. We operate lead and zinc mines and reduction plants in the tri-State district of Oklahoma, Kansas, and Missouri and in Arizona. In making my brief statement, I would like to preface it by saying that for 20 years the average price of zinc concentrates was $44, whereas today it is $26. So that makes quite a handicap under which to work.

The lead and zinc mines of the tri-State district are operating at a loss at the present time. It has always been the practice to regulate the wage scale in accordance with the sales price of concentrates. If the 30-hour-week bill should go into effect now, it is estimated it would increase labor costs alone $2.50 per ton of concentrates, which would of necessity shut down practically all the the mines under existing prices and keep many of them down even under higher prices. This would materially decrease employment rather than give additional work.

The past year, due to market demand for ore, the mines were able to operate only about 50 percent of the time, which has given labor an average of considerably less than 30 hours per week. In this district the operations above ground—that is, the mill and surface work—could be adapted to the 6-hour shift with no great loss of efficiency. However, most of the employees work underground, and such a large portion of the shift is spent in getting to and from the working places that a shorter shift would very materially decrease the result per hour when averaged over the shift.

Zinc and lead mines in the Western States, in addition to the disadvantages of the tri-State district, have the added difficulty of isolation and resulting housing problem. Most isolated camps are now overtaxed in this respect even under the 40-hour week. The employees are dissatisfied due to the fact that in many cases the men, after working their short period, are abliged to pay their expenses while waiting for the balance of the week to expire as well as maintaining homes elsewhere.

I would say that this little mine that we have in Arizona produces silver and gold; so even though the price of lead and zinc was very low we were able to put it in operation last summer. Our camp there is dependent on this mine, and when the mine is shut down I do not suppose there are 20 people there. When the mine is in operation there are 600 people; that is, including their families. The mine employs about 280 people. When we started that operation we had about 100-percent American labor. Those fellows who go to those places go there to make what money they can, and they do not seem disposed to work 5 days and lay off 2 days. The result is that half our force is Mexican labor. They will do that when the American will not.

STATEMENT OF CHARLES MILNE SEYMOUR, KNOXVILLE, TENN.

Mr. SEYMOUR. Mr. Chairman, I am a member of the executive committee of the board of directors of the American Zinc & Lead Smelting Co. While I am a lawyer I have had intimate contact with metal mining since 1905.

I do not want to rehash what you gentlemen have heard about mining in general, but I would like to point out a few things that our company is doing which I think are representative of the zinc industry as a whole.

My company has at present about 1,500 employees, practically all men, of course. We are operating mines and concentrating mills in east Tennessee at Moscot and in the so-called "tri-State field" of Missouri, Kansas, and Oklahoma. Most of the metal produced is from our smelters at East St. Louis and Hillsboro, Ill., although we have arrangements with some of the smelters in Arkansas and other places because those companies themselves are not able to do enough to be independent in business. We have the ore concentrate shipped from Tennessee. It goes to Columbus, Ohio, where we have reduction works and from which we make zinc oxide which is used in the rubber and paint trades.

On account of the fact that my particular company is able to sell stone as a byproduct to the railroads and for roadmaking and for agricultural purposes in Tennessee and the adjacent States, and because of the fact that it is a sulphide ore running high in sulphur and we get sulphuric acid as a byproduct which is used in the steel trade and very largely in making fertilizer as in phosphate, we are able to operate. At Mascot, Tenn., we have a capacity for 2,000 tons per day. We have the lowest-grade zinc area in the world. We get about 22 to 25 pounds of zinc out of each 2,000 pounds of crude ore taken out of the mine. We have a mining cost which I think the management is proud of.

We have 450 men at work there now and an average of approximately 2,000 who are wholly dependent upon that business. We own 2,000 acres of land where the property is located.

I know it to be a fact, and this is not in any way intended as a threat, but is simply a statement of regrettable fact, that if this law were enacted we would have to completely shut that property down. No only that, but we would have to shut down the plant at Columbus, Ohio. We would have to shut down our smelters. Unfortunately, we would have to drop about 1,500 men off our pay roll. That, I think, is typical of the situation.

We have prospective operations in the State of Washington that if industrial conditions justify we would open up, but we would have to suspend that idea.

You gentlemen no doubt know a great many of these things better than I do, but zinc is in a highly competitive position, so far as the world at large is concerned. It occurs all over the world and it occurs very frequently associated with other metals and is so frequently produced as a byproduct that there is always a supply on hand. The world supply is staggering. We have in the United States a supply that depresses the price of ore as well as the finished product, and I think it is true today that the present price of zinc metal is about as low as it has been in 20 years and the American market is about 33 percent below the average cost of production.

Senator HATCH. How much is it below the cost of production?

Mr. SEYMOUR. The market price is approximately 33 percent, I believe, below actual cost of producing metal today. I am speaking now about the average. I believe our particular company is doing a little better than that, but, in any event, the actual expense of applying this law to our pay roll would mean an additional expense of $50,000 a month and it would take only a few months for it to absorb the little surplus that we have been able to build up in the last 10 or 12 years, while we have not been paying any dividends whatsoever to the stockholders, although we have kept the mines running.

We have very frequently during the last few years operated our mines solely for the purpose of keeping the men employed, to keep them from starving to death, and, incidentally, to keep our organization intact. We are storing metal today. We have to carry, for the amount invested in the business, what would be considered by some people enormous inventories of raw ore and finished products and products for process and manufacture.

Senator AUSTIN. I am very much interested in your statement that you had the lowest price for many years. I was wondering if there is any reaction of that upon consumption. Do you have a large consumption?

Mr. SEYMOUR. Do you mean domestic consumption?

Senator AUSTIN. Yes.

Mr. SEYMOUR. The consumption is, approximately, 30,000 tons a month—between 300,000 and 350,000 tons a year.

Mr. BENDELARI. There were 50,000 tons a month before 1929. That has dropped down to about 28,000 tons today.

Senator AUSTIN. Do you attribute that to price in any way?

Mr. SEYMOUR. Not at all. I attribute that to the lack of industrial demand. I think the steel industry is the largest single user of zinc, is it not, Mr. Bendelari?

Mr. BENDELARI. Steel and brass.

Mr. SEYMOUR. In other words, the farmer, I believe, is the best customer for our product in the metallic form. Not all zinc companies make their zinc into oxide as a pigment for the rubber or paint trades.

Senator AUSTIN. Is your reduction in volume of consumption reflected in unemployment?

Mr. SEYMOUR. Yes; it is with our company. I do not desire to mention names, because I am not authorized to make statements for other companies, but I happen to be an attorney for at least three other very large companies in the United States that produce zinc and they also produce other metals. There is unemployment in all of our towns.

Senator AUSTIN. What proportion of the men customarily employed in your camps are now unemployed?

Mr. SEYMOUR. In our particular company in Tennessee we have deliberately built up our forces out of the native population and granted them the opportunity and encouraged them to have their own homes nearby. We do not have at Mascot, for instance, an excessive number of men on relief. We have been able to assist them to get to their homes in the country and they are living there. We are supporting some of them. When they have nothing coming to them we are giving them tickets by which they get something to eat and to wear and on the theory that they will attempt to work it out later on, when we are able to give them employment.

Senator AUSTIN. Is your price reflected in the wages to your employees?

Mr. SEYMOUR. No; that is to say, since we went on the President's reemployment agreement, as modified in the Zinc Code, we have been paying the code wages with respect to zinc, and our byproduct is sold under the code to others who conform to that code.

Senator AUSTIN. Does the reduction of consumption affect your hours of employment?

Mr. SEYMOUR. It has affected our shifts; that is to say, frequently we have only operated 3 days a week. For a while we had to operate only 2 days a week to keep from getting excessive stocks and exhausting our credit at the bank for working capital.

Senator AUSTIN. Are you operating on a profit?

Mr. SEYMOUR. My company last year operated on a profit of 4 percent net on its capital; but I am inclined to believe that that is an unusually good record, so far as the zinc industry is concerned. Would you not think so, Mr. Bendelari?

Mr. BENDELARI. Yes.

Senator AUSTIN. What are the prevailing hours per week and the rates of pay?

Mr. SEYMOUR. At the present time, and we are hoping that might continue throughout the winter months until these men would have an opportunity to plant gardens, for instance, say, until the 1st of March, we are operating on 5 days a week at Mascot, Tenn., and at Columbus, Ohio, except that in our continuous operation we have to work 7 days a week; but the men who work in the continuous operation do not work over 40 hours a week. In other words. we are geared up to a 5-day, 40-hour week basis. We have the whole thing geared up on that basis; of course, we could perhaps eventually go to a 6-hour shift if we had to, but the time element enters into it. You have to adjust a great many more things than the time of the man who works before you are on a basis that will make the machinery function.

Mr. CONOVER. Mr Chairman, we have no more witnesses. We appreciate your courtesy very much.

Senator AUSTIN. If you are through with the oral testimony, Mr. Chairman, I want to put into the record a statement of Mr. Sidney E. Cornelius, manager, Manufacturer's Association of Hartford County, Hartford, Conn.

(Mr. Cornelius' statement is as follows:)

Honorable Chairman, and Members of the Senate Judiciary Subcommittee: The Manufacturers' Association of Hartford County, in Connecticut, is composed of more than one hundred manufacturers who employ, at the present time, about 45,000 workers.

In behalf of this group of manufacturers we offer strenuous opposition to the passage of S. 87, known as the "30-hour week bill."

We sympathize with and wish insofar as possible to assist in every constructive effort to alleviate or cure the present unprecedented unemployment situation, but are sincerely of the opinion that this measure will not and cannot have the effect intended. On the contrary, many unnecessary hardships would be imposed both upon the employers and those at present employed.

A large proportion of Connecticut manufacturing, and especially Hartford County, is of a specialized as distinguished from a standardized type, requiring highly skilled, individually trained mechanics. They are not available in sufficient numbers to replace those whose operating time would be curtailed under a 6-hour shift plan. Furthermore, mechanics are not interchangeable on specific jobs in many of our industries, as they might be in repetitive processes under less exacting types of manufacture. As examples of this: Die work of many kinds; pattern work; heat treating; tool and machine designing; and tool making.

It is our contention that the maximum working week in the present codes—so long as they are in effect—should in fact be increased generally, and that a greater degree of flexibility should be provided for overtime, peak periods, averaging, etc.

We contend further that the limitation of hours in the codes did not increase employment in the factories of Hartford County.

Because the Hartford County Manufacturers' Association functions as a central labor bureau for its member factories, the statistics compiled monthly are accurate, and reflect minutely the trend and change in industrial activity. At the present time industrial activity in Hartford County factories, measured in terms of man-hours, is 60 percent of normal (or Jan. 1, 1929). Employment in number employed is 82.5 percent of that normal. At the end of March 1933, which was the low point for both, employment was only 60.8 percent of normal, and man-hours 32.9 percent. These two latter figures in themselves tell a story of what had transpired in the previous years. Since man-hours are the product of men and hours, it must be obvious that determined effort had been made generally to maintain the highest possible employment at reduced hours of operation in satisfying the curtailed hours of production demand.

Statistics provided by survey showed that the manufacturers of Hartford County at the end of 1932 were employing between 8 and 10 thousand persons more than the number actually needed for production demand if the plants

were running full time. This proportion had changed but little up to April 1933. The reports provided information as to what had been done in the matter of staggering employment schedules, building up excess stock, replacing equipment, instituting made-work for employees outside their regular tasks, etc.

The outstanding fact is that at the end of April 1933, the number of hours per man per week were less than 28 because of this spreading of work.

In May of 1933, the first decisive gain in employment in Hartford County in 3 years was registered, and, concurrently, there was a gain in hours per man per week. For the next three succeeding months a steady increase in employment and in man-hours was recorded.

The National Industrial Recovery Act was not passed until June. The recovery already was under way in Hartford County. The act prescribed a decrease in and limitation of hours of work per employee per week to obtain, theoretically, a consequent increase in employment for the accomplishment of the production demand. But the demand itself had been at low ebb, and every practical spreading of work and retention of employees by reduction in hours already had been put into effect voluntarily by the manufacturers. Had production demand itself not increased, the mere acceptance of code provisions would not have affected the employment status to any appreciable degree. What reasonably might be termed the irreducible minimum of hours per week per man had been reached. Orders, a demand for manufactured goods, a demand for production—the ultimate deciding factor in industrial recovery, the only practical impetus—caused an increase in employed personnel and, coincidentally, an increase in the hours of work per employee per week. In June 1933, 1,240 persons were added to pay rolls; in July 2,221; in August 3,046. In September the increase diminished to 1,237; in October to 748. In November only 141 were added to pay rolls, and December showed an actual loss of 148.

Only five of the codes under which manufacturers in this district were to be governed had been approved before September. In September 2 more were adopted; in October 2 again. In November and December, 16, and it was in these 3 months that the progress was retarded.

The gain in employment and man-hours in the entire year 1934 was 5 percent over the total of January 1 of that year. Without doubt reduced production demand was influenced by labor disturbances throughout the country, and by unsettled conditions in Washington legislativewise. But if, in spite of these, should this new year bring with it restimulated producton demand, the limitation placed upon industry's ability to meet that demand now becomes pronounced. Any further limitation will prove disastrous to manufacturers whom I represent.

Two of the factors that make possible production are men and hours. Multiplying the one available by the other available gives man-hours, the gage of production. As we pointed out above, the hours per man per week rose coincidentally with the acquisition of new help to provide for the increasing man-hours demand for production. Hours average now about 38 per week per employee.

Under the codes, which in the main are not flexible enough in the hours provision, Hartford County manufacturers have about reached the now legal maximum. In other words, 38 hours per week per employee indicates about the average that can be expected under the varying terms of the codes including their emergency exceptions. Hence, one of the two factors in the obtaining of man-hours—the channel for the satisfaction of production demand—is removed insofar as further increase is concerned.

It has been pointed out that employment for the factories in Hartford County already has reached 82 percent of the accepted normal (which insofar as skilled help is concerned, is more nearly a peak), thus leaving, arithmetically, only an 18-percent field from which to draw in reattaining normal employment. As a consequence, it will be impossible to attain the normal of man-hours of production which are now only 60 percent of that normal, without a leniency which the codes have not reflected so far. Furthermore, a shortage of highly skilled mechanics is already evidenced. While a surplus of some types of machine operators and semiskilled employees still is available, the number of them usable in the factories is in more or less constant proportion to the highly skilled, who form the nucleus around which the working forces of the individual plant, or even its individual departments, are built. They are taken on to complement the skilled, not in place of them.

Students of apprenticeship courses, trade-school authorities, and industrial relationists concur in the estimates, substantiated by satisfactory statistics, that the average annual loss in skilled help is about 5 percent of the total. This is attributable to death, old age, disability, changes of occupation, or other causes. During the last 5 years the training of apprentices, particularly for factory employment, has decreased so as to be almost negligible. Manufacturers, hard put to find work or divide dwindling surplus to keep regular proficient employees on pay rolls, have been unable, generally speaking, to afford expenditures necessary to train new employees, even though the present and ultimate results were appreciated. Consequently, the usual source of replenishment, indequate as it was at best, has been absent.

Accepting merely the cold statistics, and giving no consideration to the known migration, exceptional change of occupation, or loss of proficiency, which the unusual period just passed has caused, it can be appreciated that the factories have had a probable 20-percent reduction in available skilled help.

If the hoped-for production demand should come, only the extreme ingenuity of management and a lenient attitude of the administration toward an increase in hours generally and a more flexible work week can make recovery possible. You can readily appreciate, gentlemen, that under these existing conditions the imposition of a 30-hour week or any statutory reduction in hours will result in loss of business, financial hardship, and increased unemployment.

Sidney E. Cornelius,
Manager Manufacturers Association of Hartford County.

Hartford, Conn.,
February 1935.

Senator Austin. I would also like to insert into the record a memorandum on behalf of the Rubber Manufacturers Association by Mr. A. L. Viles, president and general manager of the Rubber Manufacturers Association, Inc.

(Mr. Viles' statement is as follows:)

MEMORANDUM ON BEHALF OF THE RUBBER MANUFACTURERS ASSOCIATION, INC., 444 MADISON AVENUE, NEW YORK, N. Y., REGARDING BILL S. 87 ON THE THIRTY-HOUR WEEK

(The Rubber Manufacturers Association, Inc., represents over 85 percent in number and volume of the business of the rubber manufacturers of the United States.)

The members of the Rubber Manufacturers Association have approached the consideration of S. 87 with an open mind in the hope of finding in it a feasible plan for increasing employment and hastening the return of more prosperous conditions. It must be candidly stated that we do not find that this bill would accomplish this result. On the other hand, we are convinced that it would bring about a most chaotic condition in the business of the entire country.

The Codes of Fair Competition for industries, approved and made effective under the authority contained in the National Industrial Recovery Act contain maximum hour provisions based upon the experience of the respective industries as to the hours under which they can operate economically in view of the products manufactured, type of operations, ability to take care of seasonal or other fluctuations, and other practical considerations which experience dictates. The proposed bill would nullify in one sweep the wages and hours provisions of these codes which have the effect of law and would completely disregard the wages and hours fixed for each industry after a careful study of its own special conditions.

The rubber industry has never been one in which long factory hours have prevailed. It has spread the available work among the largest possible number of employees.

The rubber tire manufacturing industry is now working under Code No. 174, which provides a maximum schedule of 36 hours per week, with an 8-hour day; the average work week is now probably less than 33 hours.

These maximum hours were found to be best adapted to take care of certain 24-hour continuous operations, as well as certain production conditions, such as periods of peak loads.

In the other branches of the industry, there has been a reduction in maximum hours from 48 per week immediately following the war period to 40 hours per week provided for in the Code of Fair Competition No. 156.

The maximum 8-hour day prevails in the entire industry. The 40-hour week and 8-hour day maximum were designed to provide an adequate earning power for employees and a balanced operating schedule to properly carry on those operations necessarily conducted on a continuous basis.

We are firmly convinced that the proposal to place all industry (embraced in sec. 1 of the bill), upon the same level as to hours, irrespective of the specific requirements of industry, is the most unsound proposal yet suggested for relieving the depression.

Industry and commerce would simply be stifled if placed in such a straight-jacket as proposed in the bill. In order to operate efficiently and to meet the ever-changing problems of production and distribution, they must have a certain degree of flexibility and latitude.

International trade.—It is the avowed objective of the administration to increase the exchange of commerce with foreign countries through negotiation of reciprocal tariff treaties, with a resulting increase in the export business of this country, but with safeguards for reasonably efficient domestic industries against ruination through excessive imports produced with cheap labor.

We do not advocate tariff schedules that will exclude foreign manufactured goods from the domestic market. We do insist, however, that foreign manufactured goods should not be marketed here on an unfair competitive basis. This industry is at present experiencing competition in the domestic market with some foreign manufactured products produced under a lower wage standard. The present tariff on some products affords no protection as the spread in domestic and foreign costs cannot be bridged by the present rates of duty. The increases in costs of production of domestic products that would result from the establishment of the shorter working week would place domestic industry at a further disadvantage in the domestic market. It would permit the door to be opened wider for the importation of increased quantities of some foreign goods at lower values, which would displace domestic products, with consequent ill effects upon our industry and the workers employed by it.

The export trade of the United States has suffered due to the world-wide depression and establishment by foreign governments of restrictions of various kinds to protect their own markets or for other purposes. It will be readily apparent, without a detailed discussion of the question, that the provisions of the proposed bill would increase our cost of production and place that much additional handicap upon domestic industry in its effort to retain its export trade. The announced Government program of increasing our export trade would be frustrated.

The result of the proposed bill would be (a) An increase in the cost of production, (b) a consequent increase in the price of commodities at a rate exceeding the consumer's ability to pay, (c) a consequent decline in the total purchasing power of the entire country, (d) a consequent reduction in production and consumption of goods, (e) a double-edged reduction in the real wages of workers due to the slower tempo of industry and the resulting decrease in employment, and to the fact that prices advance more rapidly than wages, (f) a decline in our exports and increased severity in competition from foreign manufacturers, (g) stagnation of business and return of distressing conditions from which the country is slowly but surely emerging.

The return of more prosperous times for everyone therefore does not require experimentation with an untried theory which has met with the disapproval of industry and students of economics.

Section 1. This section places in the hands of the Secretary of Labor or his representatives, arbitrary power to grant exemptions to individuals. This provision may easily create discrimination between individuals, and as a result, between employers. It is an arbitrary power which it should not be necessary to place in the hands of a governmental or other agency. We do not believe the plan is practicable, or that the authority could be exercised with fairness to all.

Sections 2 and 3. These sections of the bill propose a drastic method to secure its acceptance by industry and to act as an enforcement device.

Enforcement of this act is to be accomplished partially by a new device which is to prohibit the United States, or any of its departments from purchasing from any firm operating in violation of the act and to require every Federal contractor to stipulate that he will not buy from such a firm.

Without discussing in detail all of the ramifications that are involved in such a proposal, we submit that it is impracticable and unworkable.

First, it would give an advantage to the concern which does not wish to furnish supplies to the Government or Federal contractors and would be a disadvantage to the concerns engaged in supplyng the Government with its requirements.

Second, this requirement would open the door to the making of fraudulent statements by unscrupulous persons, practice of deceit, controversy on a stupendous scale between competitors for Government business and that of contractors as to whether they have complied with the law, with consequent confusion and injury to the business of the producers and the Government. There is no protection to any interest through the prompt ascertainment of facts concerning controverted issues, the adjustment of disputed issues, the protection of any interest from injury the acts of another, or recourse in event of injury.

Section 4. This section would amend every code of fair competition approved under title I of the National Industrial Recovery Act and substitute for the present maximum hour provisions, a maximum work week of 5 days, limited to 6 hours in any day.

This section would demolish the painstaking effort of industry to establish reasonable maximum hours of work according to the past experience and requirements of the particular industry; also any agreements heretofore entered into between the industries and governmental agencies and with employees.

Section 5. If this bill becomes law, then section 5 will operate to add to the difficulties of harmonizing the views of labor and management respecting questions of wage rates and employee representation for collective bargaining.

If this bill should become law, serious questions will arise respecting the resulting wage rate that shall apply. Under this section, before any adjustment can be made in the then existing wage rate that might be a direct or indirect reduction, it shall be the subject of negotiation between employer and employees through representatives of the latter chosen by a majority vote.

We do not question the wisdom of discussing questions of wage rates by both parties prior to changes therein. On the other hand we advocate such procedure.

Section 7 (a) of the National Industrial Recovery Act provides a method for negotiation between employer and employee. It has been interpreted in many ways. There is a question in the minds of some persons concerning the legality of interpretations placed upon the collective bargaining provisions of the National Industrial Recovery Act. It will require a decision by our highest court before these controversial questions can be definitely settled.

This section of the bill would not clarify the present controversial issues respecting representation plans for collective bargaining, but would have the effect of adding to the present confused situation prior to a decision by the courts.

Interstate, intrastate, and foreign commerce.—Since the Constitution would limit the application of this bill to interstate commerce, it would, if enacted into law, discriminate against interstate commerce in favor of intrastate commerce. It would therefore tend to localize commerce within the respective States and would go far to destroying the Nation-wide market of the United States with its tremendous buying power, free from internal obstructions. It is generally conceded that this wide, free market has been largely responsible for our great economic progress. This discrimination against interstate commerce would likewise exercise a very harmful effect on our entire transportation systems, rail, water, highway, and air.

Likewise, this bill, by imposing more stringent labor regulations on American manufacture, would discriminate in favor of the commerce of foreign countries in two ways: First, the commerce of foreign countries entering the United States would have a labor cost advantage; second, in cases where commerce from the United States enters world markets in competition with commerce from foreign countries, our manufacturers would be at a disadvantage.

In conclusion we urge that bill S. 87 be unfavorably reported for the following reasons:

(*a*) It would place labor and management in a statutory strait-jacket as to maximum hours, irrespective of the varying requirements of industries.

(*b*) It would reduce real wages of workers.

It would increase prices of commodities beyond the ability of consumers to pay.

It would reduce total employment and, consequently, defeat the objective of the act.

(c) It discriminated against interstate commerce and our export trade by granting undue advantages to intrastate commerce and commerce of foreign countries.

(d) It would destroy the wages and hour provisions of the code system erected under the provisions of the National Industrial Recovery Act.

(e) It would confuse the present situation respecting the interpretation of statutory provisions regarding employer-employee relations. No further laws respecting this question should be enacted until the situation is clarified by court decisions.

(f) The indirect enforcement provisions are impracticable and unworkable. They would result in the practice of fraud, deceit, and unfair practices between competitors.

(g) It grants arbitrary power to the Secretary of Labor, or his representatives, without knowledge by the public of the scope of those powers.

Respectfully submitted.

A. L. VILES,
President and General Manager,
The Rubber Manufacturers Association, Inc.

FEBRUARY 14, 1935.

Senator HATCH. The committee will stand adjourned now until 10:30 o'clock tomorrow morning.

(Thereupon, at 3:30 p. m., the committee adjourned until Friday, Feb. 15, 1935, at 10:30 a. m.)

THIRTY-HOUR WORK WEEK

FRIDAY, FEBRUARY 15, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to adjournment, in the committee room, Capitol, at 10:30 a. m., Senator Carl A. Hatch presiding.

Present: Senators Hatch (presiding), McCarran, and Austin.

Senator AUSTIN. Before we start taking testimony, I would like to present two briefs. One has been submitted by Charles R. Hook, president, the American Rolling Mill Co., Middletown, Ohio; and the other has been submitted by the Associated General Contractors of America, by Edward J. Harding, managing director.

(The two briefs above referred to are copied into the record in full as follows:)

STATEMENT OF CHARLES R. HOOK, PRESIDENT THE AMERICAN ROLLING MILL CO., MIDDLETOWN, OHIO

I appreciate this opportunity of presenting our views on the legislation which you have before you for consideration. I assure you that what I have to say is prompted by a sincere desire to be helpful in our mutual problem of increasing employment and thereby effecting national recovery. What I shall attempt to prove to you is, that the effect of this proposed act would be to decrease employment instead of increasing employment and that purchasing power of employees would be decreased instead of increased.

The reduction of hours with an increase in the hourly rate which was brought about through the adoption of codes by industry generally have up to the present time very largely resulted in the spreading of work to a large number of people, but the tendency has been to place these workers on a subsistence level insofar as weekly income is concerned, with no funds available to purchase those products which maintain and increase our American standard of living.

The Code for the Iron and Steel Industry, with its provision for an average work week of 40 hours in any 6 months' period with not more than 48 hours in any week, has now been in effect for 17 months. In order not to exceed our 40-hour average limitation, it is necessary for us to organize to meet peak operating conditions. This results in the spreading of work to a larger number of employees than would be needed for normal operations, so that for the year 1934 the entire steel industry was practically working the 30-hour week; in fact, the industry as a whole averaged only 29.7 hours per week. Our old employees, from the standpoint of service, have very definitely indicated that they resent being required to share work in periods of low operations when they have no opportunity to recoup their losses incurred in periods of peak operation.

According to the Brookings Institution, there was a decrease of 13 percent in the average working hours over the period 1900 to 1930; while the code restriction of average weekly working hours has resulted in a decrease in our own industry from an average of 50 hours per week to approximately 30 hours, or a reduction of 40 percent in the average hours worked. This adjustment was made over a period of 17 months, as compared with the 13 percent

adjustment made over a period of 30 years. You can readily understand that this drastic change being made in such a short period of time leaves behind it many problems yet to be solved, such as the training and realignment of organization generally.

Studies on the subject of employment by the Iron and Steel Institute indicate that when the steel industry reaches an average operation of 70 percent under present code limitations it will require 524,000 wage employees, or an increase of 176,000 over the number employed in December 1934, when the industry was at a level of 35.5 percent operations, and 104,000 more than were attached to the industry in the boom year of 1929.

As already stated, it is not possible, due to physical causes, to give steel employees, the maximum of 40 hours of work each week. The average is only 75 percent of the total hours allowed, placing us now virtually on a 30-hour week. If the 30-hour week were to go into effect, the result would be the same percentage of the maximum of hours or an average of from 23 to 24 hours per week for steel employees.

For the industry as a whole, the 30-hour week limitation at 70 percent operations would require about 700,000 employees. That would actually double the present number of wage earnings in the industry. Such a condition in the steel industry is unthinkable. Common labor accounts for less than 5 percent of the total number of men employed, while 95 percent of our men must be experienced steel plant workers. There is not, in this country, a supply of such experienced workmen from which the additional men required under a 30-hour week may be secured.

It is obvious that further reduction in hours cannot be made without a compensating increase in rates of pay. It would therefore be required that hourly rates be increased 33⅓ percent above their present levels. For our own company the wage increase would be equivalent to not less than $6 per ton of finished product for wages alone. Taking into consideration the higher prices of all our purchased materials and supplies that would result from national application of the 30-hour week, we estimate that our total manufacturing costs would be increased by a minimum of $9 per ton which on the tonnage we produced in 1934 would amount to $5,850,000. The added wage cost for the industry as a whole if applied to the 17,500,000 tons produced in 1934 would be $185,000,000. This amount the industry would be forced to pass on in the form of increased prices or suffer unsupportable losses.

Any such increase in steel prices at this time would surely dampen, if not altogether kill, the recovery now taking place in steel.

An even more serious aspect of the situation is the effect upon the earnings of workmen themselves.

Even though wages are increased sufficiently to offset the reduction in hours, it is inevitable that cost of living and prices of all commodities which the workmen purchase will be greatly increased as a result of the added cost of manufacture. Therefore, although the workmen's actual wages remain the same, their purchasing value would be greatly diminished.

Because of the 40-hour limitation, average earnings of steel employees in 1934 amounted to only $18.39 weekly, even with hourly rates at a level higher than the average for all industrial workers. Neither employers nor employees in the steel industry regard this weekly earning rate as satisfactory or as being representative of American standards of living.

The 30-hour week would freeze this income at existing levels and deprive steel workers of the opportunity to increase their earnings as business improved. There would simply be a spreading of employment beyond all reasonable limits with wages at subsistence levels and the defeat of efforts to restore American living standards to the steel worker.

We should not lose sight of the fact that our workmen are in competition with workmen in foreign countries where no such restriction of hours is in effect, and where comparatively low labor rates prevail. Any further artificial addition in steel producing costs would serve to increase the disadvantage under which the industry is now operating in comparison with foreign steel producers. At the present time, hourly wage rates in the steel industry in the United States are from 120 percent to 650 percent more than the average hourly rate for similar labor in foreign countries. For instance, the Japanese wage rate was 9.7 cents per hour in 1933, while in 1933 the average rate in India was 8.6 cents per hour.

Employees of Belgian mills averaged 17 cents per hour in 1933, while in Germany in 1934 the average hourly rate was 25.9 cents. French steel mills paid an average of 20 cents per hour in 1933.

The average in Great Britain was 25.1 cents, and in 1933 employees of Sweden mills averaged 29.0 cents per hour.

In Czechoslovakia the hourly wage rates for 1934 averaged 22.7 cents; Italian steel workers earned an average of 27.6 cents per hour in 1933.

As compared with these, American workers who are paid on an hourly, piecework, or tonnage basis earned an average of 64.7 cents per hour in November 1934.

As a result of these differences in wage rates, a great deal of foreign steel products are being imported into this country and sold at prices which American producers cannot meet. Imposition of the 30-hour week on the industry would increase this competitive disadvantage and act as a boomerang upon American workmen, through the loss of markets for American steel and consequent loss of jobs for steel workers.

One of the major dislocations which would be bound to result from further adjustment to a 30-hour week would be a further change in the relationship between industry generally and agriculture.

Living standards on the farm would be lowered because the rise in the cost of manufactured articles would prevent their purchase by the farmer. Industrial employment would not be increased because the farmer's ability to purchase the industrial worker's labor, in the form of the goods upon the sale of which the industrial employee depends for work, would be greatly decreased.

There is no need for any further comment on this subject, as the great effort which has been made to bring these two groups into better economic alinement is well known.

We would counsel, in the interest of stabilizing industry, generally, that no further reduction in hours be attempted until such time as industry has been able to adjust itself to work under the present restrictions, hours having been reduced 40 percent since the code went into effect, as compared with 13 percent in the 30-year period from 1900 to 1930. We are interested in cooperating in any plan which we believe will result in a higher standard of living generally, knowing full well that this is absolutely essential to the return of lasting prosperity. However, we all realize that a high hourly rate of pay with few or no hours of work does not contribute to prosperity.

The threat of further restriction in hours and adjustment of wages tends to keep industry and its working organizations in a state of confusion and uncertainty. A further period during which we may adjust ourselves to the drastice changes already undertaken would be helpful to us all and appreciated by both industrial management and the employees.

As I have pointed out, spreading the work with increased hourly rates will not bring prosperity. There can be no lasting recovery unless goods can be produced at price levels within the purchasing power of the average wage earner. Nor can there be any lasting recovery until business is able to pay a fair return to those who have invested their savings in industrial enterprise. They, too, represent an important part of the consumer market and must be counted upon as a source of capital for future business expansion and for long deferred modernization of plants, if we are to secure a higher standard of living for the wage earner.

There is one thing above all others in which we are interested today, and that is the return of those now unemployed to their positions in private industry. Should this bill or any legislation be passed which would approach the provisions of this proposed act, it would seriously retard recovery, and, I am positive, have the opposite effect to that which Senator Black hopes to accomplish.

It is not constructive to oppose unless one has a suggestion that he feels confident will accomplish what is desired. There are a number of facts upon which I think there is now no disagreement. There is general accord with respect to the number unemployed. This figure ranges from a little over 9,000,000 to slightly over 11,000,000, and arrives from the investigations of such organizations and individuals as the National Industrial Conference Board, Colonel Ayres, of the Cleveland Trust Co., the Durable Goods Industries Committee, and the American Federation of Labor.

There is also general agreement with respect to the designation of the industries wherein these men were formerly employed. Thoroughly reliable

analysis shows that lack of business in the durable-goods industries account, directly and indirectly, for not less than 75 percent of all unemployment at the present time.

Figures compiled by Colonel Ayres, of the Cleveland Trust Co., show that as of August 1934 of the total unemployment, estimated at 11,000,000, roughly 50 percent of the unemployment was in the field of providers of services and the other 50 percent (excluding unemployed agricultural labor) lay in the field of producers of construction, durable goods, and consumption goods. While these latter three fields represented slightly more than 50 percent of the total unemployed, it is interesting to note that 2 of the 3, namely, construction and durable goods, represented about 37 percent of the total unemployment, while in the consumers goods fields the percentage of unemployment in that field of total unemployment was less than 20 percent.

Perhaps a clearer exposition of the same situation is given in the following figures, also submitted by Colonel Ayres: Employment in the construction field in September 1929 was 3,874,000, while in September 1934 it was 1,940,000; in the durable-goods industries employment in September 1929 was 6,358,000 compared with 3,898,000 in 1934; employment of providers of services in September 1929 amounted to 21,822,000 compared with 18,192,000 in 1934. This shows in the durable goods and construction field combined a reduction from 10,232,000 in September 1929 to 5,838,000, or a total reduction of 4,394,000, or very close to 50 percent as of September 1934.

Contrast this with the employment in the consumers goods field in September 1929, which was 14,902,000, and in September 1934 was 13,750,000, showing a decline of only 1,152,000.

From the above figures it can readily be seen that the crying need is for revival in the construction and durable-goods field.

Construction and durable goods, sometimes referred to as capital goods, are in the main financed through long-term capital-issue loans.

With the best of intentions legislation was passed in 1933 and 1934 for the purpose of protecting the investor and preventing abuses which had crept into the issuing and marketing of securities in many instances.

The provisions of the 1933 Sescurities Act and the 1934 Securities Exchange Act have effectively blocked the issue and sale of corporation, long-term securities, because corporation and bank officers and directors have been fearful of personal liability, with respect to which the acts are not clearly specific.

It is clear to me that our number one problem in the recovery program is the opening of our capital markets, so that private savings will flow into private investment, and thereby revive the industries upon which the major portion of our unemployed are dependent for work.

I am not here to criticize the action of Congress in prohibting investment affiliates of commercial banks; however, I do feel that when this avenue which provided the flow of private investment into capital issues was stopped, there should have been some provision giving commercial banks the right to a limited extent to underwrite capital issues.

Finally, the attack which has been made from various sources on the profit motive in industry has been very disrupting in its effect on confidence on the part of both investors and manufacturers who might otherwise finance on one hand and place on the other hand sufficiently large orders for producers goods as to effect a real revival of employment.

Consequently, before we can expect such revival, the profit motive in industry must be fully reestablished, real profits must be made possible, and confidence in the safety of investment assured to investors and confidence on the part of manufacturers of no further drastic and arbitrary changes in their manufacturing operations being imposed on them. These three factors once clearly established will have a very definite and early reflection in a rising tide of prosperity.

The major factor fundamental in recovery today is confidence—confidence based on understanding between all the economic groups which go to make up modern society.

Everything I have said has been with earnest and sincere desire to further the interests of industrial recovery and a still higher standard of living for American workmen.

In conclusion, I want to make this one observation, that recovery cannot and will not be brought about by the further spreading of work through the application of the 30-hour week, which will definitely freeze the income of the worker at present levels and at the same time increase his cost of living so that his purchasing power is reduced and unemployment increased.

Comparison of hours and earnings of wage earners in the iron and steel industry, 1929 and 1934

	Year of 1929	Year of 1934	Projected to 30-hour basis	Percent change, 1929 to 1934
Average rate per hour	0.654	0.626	0.8347	−4.2
Average hours per week	55.0	29.7	22.27	−46.0
Average actual weekly earnings	35.97	18.59	18.59	−48.3
Cost of living index (base 1923)	100.0	79.1		−20.9
Average real weekly earnings	35.97	23.50		−34.7

NOTE.—While we have not attempted to compute the increase in the cost of living, under the 30-hour restriction the cost of living would increase substantially while weekly income would remain the same

The American Rolling Mill Co., Middletown division—experience under 40-hour code provision compared with estimates of what experience would have been under a 30-hour provision

Period	Actual experience under 40-hour code provision			Estimated experience for same periods under 30-hour provision	
	Average number employed	Average hours per week	Rate of operation	Average number employed	Average hours per week
Second quarter, 1933 (precode)	2,050	47.9	62.8		
Fourth quarter, 1933	3,237	34.5	63.8	4,319	25.9
First quarter, 1934	3,059	36.4	74.9	4,083	27.3
Second quarter, 1934	3,421	37.2	97.4	4,556	27.9
Third quarter, 1934	3,153	22.7	34.6	4,206	17.0
Fourth quarter, 1934	3,060	33.0	55.9	4,078	24.7
Average	3,226	32.4	54.1	4,304	24.3

STATEMENT OF EDWARD J. HARDING, 222 MUNSEY BUILDING, WASHINGTON, D. C., MANAGING DIRECTOR, ASSOCIATED GENERAL CONTRACTORS OF AMERICA, INC.

Senate bill S. 87, introduced by Senator Black, imposes a 30-hour week and an inflexible 6-hour day on all industry engaged in interstate business and on such industries as have accepted a code of fair competition under the National Industrial Recovery Act, and the construction industry will be definitely affected through the application of this law to its code of fair competition as provided in section 4 (b) of the proposed act.

The construction industry, normally the second largest industry in the United States, is seasonal, is subject to weather conditions, and is therefore not capable of being brought to an even flow of employment such as might be developed in a sheltered industry. Employees working on construction projects lose considerable time due to the seasons, to inclement weather, and to necessity for sequence of operations and the shifting from one job to another.

The Construction Code and the general contractors' division of the code were signed by the President a year ago. This code provides for a 40-hour week with provision carefully worked out to take care of emergencies and inaccessible projects peculiar to this industry. This code also provides for regional mutual agreements to be arrived at by collective bargaining. These agreements cover hours, wages, and working conditions, it being thought that these items could best be arranged in the various localities where the local conditions of employment, prevailing weather, and types of projects could be taken into consideration in forming a satisfactory, mutual agreement. This arrangement was made, and the 40-hour week was set up as a standard after exhaustive research and study by the construction industry and by the National Industrial Recovery Administration.

It is estimated that on a 40-hour basis men on construction work can average possibly 32 hours per week, while on the 30-hour basis 23 hours is the average;

and 23 hours per week is not sufficient work to enable employees to earn a living. Testimony presented at the hearing on H. R. 4301 before the House Roads Committee on January 22, 23, and 25 is extremely significant in connection with this proposed legislation imposing a 30-hour week.

Under the National Industrial Recovery Act the 30-hour week was made mandatory on all projects inaugurated thereunder. At the hearing above referred to Thomas H. McDonald, Chief of the United States Bureau of Public Roads, expressed himself as favorable to the provision in the bill setting maximum hours per week at 40 hours instead of 30 hours, as now in effect on Federal highways. It was pointed out by Mr. MacDonald that a 30-hour week as applied to sheltered labor, such as plant operations, was an entirely different situation than that obtained where 30 hours is applied to work in the open, such as highways (Pp. 12, 17, 28, 36, 37, 38, 41, 54, transcript of hearing before the Committee on Roads, House of Representatives, on H. R. 4301).

Mr. MacDonald presented figures showing that under the 30-hour provisions of the N. I. R. A. workmen were actually getting in an average of 23 hours per week. In answer to cross-questioning by members of the committee he answered that on the basis of the 40-hour week the workmen would perhaps get in an average of 33 hours per week. Attention was called to the fact that on the basis of the 30-hour week the workmen were unable to get in enough hours to earn a decent income, and that the most practical solution would be to increase the maximum hours permitted per week rather than increase the rate per hour paid the workmen. It was also pointed out that such a move would mean a greater net income to the workmen and thus maintain the present standard of living.

The position as taken by Thomas H. MacDonald, Chief of the United States Bureau of Public Roads, in his testimony at this hearing, was also supported by representatives of the American Association of State Highway Officials at this same hearing.

Attention is directed to the fact that the figures presented by Mr. MacDonald, showing 23 hours as the average per week on highway work on a 30-hour basis, were derived from work on which there was not a rigid daily maximum and on which the employees made up lost time to some extent on succeeding days. With an inflexible maximum of 6 hours per day providing no opportunity to make up lost time, the average hours of work per week would be reduced to a ridiculous figure.

The Construction Code provides, as stated, for area agreements to be made in various divisions by collective bargaining between the employees and employers. Public hearings have been held on over 100 of these agreements, and 17 have been signed by the President. Only 6 of the agreements submitted to hearing provide for a 30-hour week, while none of the 17 agreements approved contain a 30-hour week provision. This reflects the best judgment of the employees and the employers themselves in the matter, as they were equally represented in drawing these agreements and, no doubt, arranged the maximum hours to suit the needs of their industry in their community. The inflexible 6-hour day does not lend itself readily to most operations of construction where a half hour is lost in preparation in starting work in the morning and another half hour lost in cleaning up the equipment after the day's run. In construction work the day's operation must be planned to reach a safe place to cease work, and where cement or such materials are involved, the setting of which is affected by temperature, moisture, and other conditions, there is no way of being sure that an operation can be stopped at any particular minute of the day without loss of the material which has been installed in a plastic state. A cement floor, for instance, laid before noon may be ready for troweling by 3 o'clock, and it may not be ready until 6 or 7 o'clock. It must be watched and worked when ready. If not finished at the right time, it must be chopped out and relaid.

With an inflexible 6-hour day imposed on this industry, it will be more frequently necessary to lay off the crew rather than start an item in the middle of the day which might possibly not be completed and the material and labor be wasted. Such lay-offs will result in more lost time, further reducing the 30-hour maximum, which cannot be made up on another day due to the fixed 6 hours per day.

P. W. A. work is already on a 30-hour basis, as well as other Federal construction. The 30-hour week will have this effect. If the total wage per day is kept the same as the wage for an 8-hour day, the cost will be increased directly 33⅓ percent, and this will mean further discouragement of private

construction, which is at present almost at a standstill. Therefore, the 30-hour week as applied to the construction industry, whose employees form a very large proportion of the recognized unemployment, would have little effect in increasing the total number of men employed on construction work. On the contrary, such a serious increase in the cost of private construction by discouraging what private construction may be contemplated will have the effect of throwing out of employment the few men now employed in the industry on private work.

Since it is the intent of the bill that the daily wage of the employee be not reduced, it means that a given sum of money in an appropriation will not provide employment for any more men. It simply means that the men fortunate enough to have employment work less hours to get the daily compensation.

Construction work usually interrupts or interferes with traffic by blocking roads or sidewalks, or narrowing the available space for passage. Since it is possible to work a double shift for only a short season and in certain localities, the inflexible 6-hour day will prolong this interruption and annoyance to traffic through the dragging along of projects under way.

Men in construction often desire an opportunity to make up some of the lost time caused by bad weather or other conditions, and at times protest the 30-hour weekly maximum, due to the small number of hours they can average. The 6-hour inflexible daily limit will aggravate this condition.

A contractor's pay roll is not a simple affair, broken time being the rule rather than the exception; with men being shifted from job to job, and desiring to get in some extra time if possible, the contractor will be hard pressed to see that the law is obeyed in every instance, and will, no doubt, find that he has unintentionally violated this 30-hour law through the ambition of some employees to get in additional time, and will thus be subject to a fine of "not less than $200", with unlimited possibilities as to the amount of the fine.

The Associated General Contractors of America, a national association of building contractors, highway contractors, and heavy and railroad contractors, and which is the recognized association under the general contractors' division of the construction code of fair competition, held its annual convention in Washington January 28, 29, and 30, of this year, and at this convention passed the following resolution:

"30-HOUR WEEK

"Whereas there has been introduced into the present session of Congress certain legislation providing for a 30-hour workweek in all industry, which regulatory provision, it is alleged, will relieve unemployment; and

"Whereas it is the firm conviction of our industry that the 30-hour workweek is entirely impractical, illogical, and unsuited for the construction industry, and will result in the retarding of the much-desired recovery for the following reasons:

"1. The reduction of the hours of employment that a man may work without the reduction of his remuneration causes an increased hourly wage, which materially increases the cost of construction;

"2. A 30-hour week does not lend itself economically and logically to properly scheduled operations of construction work, thus reducing the efficiency of the work and also retarding the orderly progress and planning of construction activities; and

"Whereas the construction code, already approved, provides for a 40-hour work week, and under which the industry is now operating, and which has been deemed by the Federal Government, through the National Recovery Administration, as being a suitable provision: Now, therefore, be it

"*Resolved* That it is the judgment of the Associated General Contractors of America in sixteenth annual convention assembled, January 28–30, 1935, Willard Hotel, Washington, D. C., that we should firmly oppose any national legislation or regulations that will impose upon our industry a mandatory 30-hour week; and be it further

"*Resolved*, That copies of this resolution be forwarded to the appropriate governmental officials and members of Congress."

We feel that the construction code, with its provision for collective bargaining and for overtime and emergency work under the control of the planning and adjustment board set up under this code, can best care for the seasonal needs of our industry, and that the injection into this code of an inflexible law of 30 hours per week and 6 hours per day, with no provision for overtime,

emergencies, and providing very serious penalties for unwitting violation, will seriously disorganize and retard the collective-bargaining work which has gotten well under way, and which has been referred to as a model method of arranging satisfactory hours, wages, and working conditions in this industry.

Senator HATCH (presiding). Mr. Flanders, you may proceed now in your own way. Please state for the record your name and whom you represent.

STATEMENT OF RALPH E. FLANDERS, PRESIDENT JONES & LAMSON MACHINE CO., SPRINGFIELD, VT.

Mr. FLANDERS. Mr. Chairman and gentlemen, my name is Ralph E. Flanders. I am president of the Jones & Lamson Machine Co., of Springfield, Vt.

The purposes of this bill, as clearly stated in its preamble, are such as will win the instant adherence of every decent citizen of this country, whatever his occupation or position. My discussion is, therefore, one which accepts these purposes completely and wholeheartedly. I am only concerned, first, with pointing out my reasons for believing that the provisions of the bill would make the attainment of the purposes impossible; and, second, with pointing out other procedures which would make a successful achievement of these purposes possible.

Briefly stated, the purposes of the act are to accomplish a recovery which will be effective throughout the whole social structure—not merely for a few at the top. Such a recovery might be more definitely described in the following terms:

Recovery is the production of a larger volume and variety of goods and the furnishing of a larger volume and variety of services, the employment of a larger number of workers thereby, and the distribution to these workers of a larger volume of the goods produced and of the services furnished.

Such a definition of recovery is obviously in the interests of the worker. It is as truly to the ultimate interest of industrial ownership and management. We therefore start this discussion from common ground.

The proposal is that a recovery of this solid type will be and shall be accomplished by a statutory enactment of the 30-hour week, with hourly wage rates raised to maintain weekly and monthly earnings, and with exceptions made only in the case of those industries which can show cause by reason of special conditions wherefore they should be exempted.

Let us first examine this proposal as applied to the largest single body of unemployment existing at the present moment.

At the time of the conference of N. R. A. code authorities last March I occupied the platform as one of a group which contained a man whose integrity of character and honesty of purpose I sincerely respect—Mr. William Green, president of the American Federation of Labor. Mr. Green delivered at that time a ringing challenge to the assembled industrialists "to cure unemployment by a courageous reduction in hours and raising of wages." It fell to my lot to meet that challenge. On the open platform I called attention to the fact that the major part of the existing unemployment was concentrated in the durable-goods industries and particularly in

those making capital goods, and that of this unemployment more than half was to be found in the building trades. I then challenged Mr. Green to suggest a new schedule of hours and wages for the building trades which would reemploy the millions of unemployed in that great industry.

In response to this Mr. Green was silent. In truth there was no satisfactory answer then, nor is there now. And the difficulty in answering goes to the heart of the fallacies involved in the theory of the 30-hour week.

I may say that in the transcript of that meeting everything that occurred, so far as I could see, was in there except my question to Mr. Green and absence of his reply, and for some reason that was left out. I never inquired as to why.

It would not be fair to take this incident as a conclusive failure of those interested to make a reasonable case for the 30-hour week. To make sure that we are treating this important matter fairly, let us suggest a reply that Mr. Green might have given. He might have argued that while recovery was impossible for the building trades while they alone were on short hours and high wage rates, their unemployment would cease if all industry were put on the same basis. This possibility is worth considering. But it can be shown that a further shortening of hours on a broad scale at this time would seriously retard recovery without reference to whether or not there is a compensatory change in wage rates. The fallacy involved is so obvious as to be fantastic. Yet the pressure behind the proposal is strong and unremitting.

The air clears and the problem simplifies when we remember that a recovery, to be real, must be expressed in terms of an increase in the production and distribution of goods and services. A further shortening of hours cannot possibly produce such an increase; a further shortening would obviously produce a decrease. It would be a deathblow to recovery.

Of course, there is a tendency of all of us, whether workingmen or employers, to think in terms of dollars of income, but those dollars are only good as they mean goods, and it seems difficult to translate shorter hours into terms of more goods. That is the essential problem involved.

At the peak of production in 1928 and 1929, with our normal productive capacity of 80 percent engaged, with our available labor supply more than 80 percent employed at an average of hours per week at least 25 percent greater than the hours set by the codes, we were still unable to provide a standard of living for the mass of the people which was up to our physical possibilities or to their deserts. By what magic process can we hope even to equal that unsatisfactory record, if we cut 40 percent or more off the old working week, as is proposed?

It may be urged that we produced enough goods to satisfy our needs and wants at the peak of production, but that they were improperly distributed; and that what was needed then was higher wages and lower profits. Following this argument it may further be urged that a continued upward adjustment of wage rates will redistribute our lessened production in such a way as to give a more desirable balance in the enjoyment of goods and services as between different classifications of the population.

The proper answer to this proposal is to question at once the necessity for a lowered rate of production; and to discover, instead, whether there may not be means by which we may more generously distribute a larger output. It is proposed to suggest means by which this much more desirable end can be attained. But before considering this point, let us look at some of the fundamentals of wage policy as required in the earlier stages of a recovery.

A general raising of hourly wage rates at this time will be reflected in raised prices for goods and services. The question is, can that rise in prices be kept less in percentage than the rise in the workers' incomes, so that they will be able to purchase more goods and services with the income from the same number of hours of work?

As a matter of fact, we have had price rises which ate up wage increases, thus preventing an increase in demand from the workers. We may argue that this should not be so. But with such a preponderant proportion of industry still running at a loss or on dangerously narrow profit margins, it is foolish to expect that exact calculation of price and wage balance which is necessary for a theoretically perfect solution. This balance would be difficult to calculate in the cloistered study of the economic expert. It is hopeless of calculation in the push and pull of the shifting forces of the market place.

In a problem bristling with scores of difficulties, two more are worthy of brief mention. The attempt at an artificial balancing of price and wage changes leaves large blocks of purchasing power with a net loss, salaried men, for instance, and farmers. This bill, if enacted, will in fact destroy the progress which the farmer has made hitherto in coming into balance with the industrial population. The net result is a decreased demand and a slowing of business.

The second point is that there is nothing in this to give any encouragement to recovery in the industries where recovery is most needed. The capital goods industries can only be revived by the hope of profit in the industries they serve. Until that revives, the remaining mass of unemployment will continue to distress those who suffer under it, and to perplex and concern the rest of us. These points by no means cover the fallacies involved in shorter hours, and for wage raises at rates faster than reviving business can support. They are illustrative only. The whole subject bristles with attractive but hopeless fallacies.

I think I might call attention for a moment to an important point in the discussion of how much price rises are involved in a wage rise. It is quite often suggested that in the case of a particular industry a 25 percent price rise means only a 4 or 5 percent rise in the cost of the article itself, owing to the fact that labor may be a comparatively small element as compared with material or overhead expenses of various sorts; but if you take the finished articles in the hands of the consumer and trace it clear back to its original source in the soil or the mines or wherever the material comes from, there are only two or three elements that do not enter into the entire process.

You have interest, profit, rent, and everything else which are not labor. The amount of interest or rent involved is perhaps difficult of calculation. The amount of profit involved over a period of years can be taken from a Senate document gotten out at the request of the Senate by the Chamber of Commerce a year ago, which indicated percentages of profit for businesses as a whole, running in the neighborhood of 5 or 6 percent even in good times. That, of course, is composed of many examples of much greater profit, many examples of great loss, and is an average of the loss and profit of business as a whole.

The profit system has served us well. At no other time, in no other place, has the mass of the population been better off materially than in this country under the profit system, even during the depression. Other systems offer only hopes and imaginations—not fulfillment. (Note the careful statement that the population has been better off "materially." Spiritually the victim of the depression has suffered as never before, because he has suffered unjustly, in the face of plenty, and in spite of the most wonderful productive possibilities the world has ever known.)

For a further advance, a wider spread of benefits and a steadier operation, three things are necessary. We must understand the profit system, we must protect it, and we must trust it.

An understanding of the profit system shows that its success in serving the mass of people depends on profit. To permit the recovery of business, the increase of employment, the expansion of purchasing power, the broader production and distribution of goods, there must be a reasonable hope of profit. We can stabilize on any level. We sink to a low level if profit is threatened. The 30-hour week is a proposal to stabilize on a low level. The whole population rises to a higher level if business profit is not merely permitted, but encouraged, and if production is allowed to increase.

No paltry 5 or 6 percent is sufficient as a basis for our needed expansion of business enterprise. That will barely pay the bank interest, and enterprise is full of risk. It is the hope for 10, 20, 50 percent profit that makes the justifiable risk, opens the sluice gates of bank credit, expands employment, and multiplies the production and distribution of goods. It is useless to scold banks and business for not expanding credit more rapidly. Unless the prospect for profit is sufficient it is wrong to lend and dangerous to borrow.

It is the reasonable hope for these high profits that counts. As a fact, the actual average of earning is only 4 or 5 percent. This average is compounded of higher earnings and serious losses. Business is full of risk. Legislative and administrative policies which render lip service to the profit system and hold the possibilities down to the average, destroy the profit system, throw great masses of the population into the condition of wards of the State, and put off, perhaps forever, the entrance of our civilization into the rewards which science, engineering, and business enterprise have been preparing for it.

The profit system needs protection. It was severely strained by the inflationary structure built up by Government policies to finance the war. It was again strained by the inflationary credit structure built up to finance the security speculation of the period ending in 1929. There is danger that we will perpetrate the same folly in our financing of the depression and the recvovery—building up a new structure of crazy and unstable elements of credit—when a solid, progressive recovery is possible.

These credit sprees are not a necessary feature of the profit system. They are wasting fevers, malignant tumors in its body. They are preventable. There is needed a knowledge of economic hygiene

comparable to the bodily hygiene which has transformed the physical health of our population. Hygiene is our resource. Medication and surgery have failed us.

It will be worth our while to pause for a moment to describe a typical incident of the thousands which go to the making of a boom and its consequent depression.

In a period of growing optimism an enterprising promoter merges a group of business concerns, capitalizes the merger for several times the total value of the constituent parts, and for a value far greater than there is any possible hope of justifying by earnings in the near future. This expanded stock issue is put on the market. It is purchased on narrow margin by a hopeful and foolish public. Purchasing on margin means that the major part of the purchase funds is borrowed, and not borrowed from someone's previous savings, but from bank credit generated by the borrowing operation. Bank credit, which is nine-tenths of our money, is purchasing power generated by borrowing and destroyed by paying back.

We have, then, a situation in which this and thousands of similar transactions have persuaded bank borrowers to generate and pass over to promoters and security manufacturers billions of new-made and baseless purchasing power in return for paper of doubtful value. This baseless credit in turn reappears in the investment market as real money, and finances needless and wasteful construction of hotels, apartment houses, and other capital assets.

When the volume of doubtful paper and the burden of underlying debt have ballooned to such size that their instability is evident, the structure collapses. In collapsing it leaves the debts behind it, and in the tedious years of debt-paying, purchasing power is extinguished faster than it can be generated by new business.

This was our recent history, and it is in view of this experience that we must shape our future policy. Credit extended to finance current production and distribution is safe. If conditions are right for business profit, such business and such profit can safely and rapidly expand. Their expansion will carry with it increased employment and a higher standard of living for the mass of the population.

On the other hand, credit expanded to capitalize hopes of profit from future business operations is dangerous in the extreme. Profits from such operations are not business profits, but speculative winnings in a dangerous gamble, in a game which will wreck any period of prosperity no matter how solidly based it may otherwise be.

In the future we must continue to risk investment; but the funds risked must be from savings, not credit expansion. Credit must be confined to the safe function of financing current production and distribution.

By this analysis we are made aware of the vital distinction between speculative profit derived from credit inflation and business profit founded on credit extended for the useful purposes of producing and distributing goods. It is the kind of profit which matters, not the amount. Real business profit has never been too great for the purposes of normal business expansion and the furnishing of the employment involved in that expansion. It is the so-called "profits" of speculative inflation which have wrecked our social structure before and will do so again unless we learn to control them.

The problem of recovery, of reemployment, and of a higher standard of living for the mass of the people is the problem of increased business profits—not by a contraction of operations as from price-fixing under the codes, or from too short hours, or high wages as under union policy, but from expansion of operations under conditions more free and flexible than now exist. Broader policies from both labor and industry are required.

From industry there may well be asked better wage policies, as well as abandonment of much of the existing price and production controls. As an example of a healthful wage policy, true to the mechanism of the system and obviously favorable to labor, it seems clear that wages should rise as recovery makes this possible—with the wage rise as a result not a cause. This will both tend to restrain excesses of expansion and to distribute prosperity as well. If not automatic, such wage raises will, at least, be natural. For raising wages there is no expedient comparable to an active demand from profitable business.

But it seems to me that something more definite and formal is in order. We have, roughly speaking, two points of reference in our standard work week. The work week of the codes averages about 40 hours. The basic work week of 1929 averaged about 50 hours. Let me make the specific suggestion that no maximum hours be set in codes, at least short of 54 hours; that overtime above 40 hours and less than 50 be set at time and a half and that overtime for 50 hours or more be made double. In industries in which code hours and 1929 hours were at other figures, the arrangement would be changed to correspond. If we are wise and trust intelligently and whole-heartedly to our profit system, it will not be many months before millions of men will be working on this basis on time and a half or double time, and not paying extravagant prices for the goods and services they produce.

This is a purely personal suggestion, with no backing from any industrial or other organization. It fits into the normal operations of our economy, permits the production of an expanded volume of goods and services, distributes them more equitably, tends to tone down the extremes of speculative business expansion, and will effect an automatic spreading of employment in dull times.

It is necessary to apply the policy on some such moderate basis as here suggested. If applied in an extreme form it can be as destructive to the best interests of the workers, as would be the 30-hour week or a too rapid rice in wages in advance of business expansion.

This proposal is offered as a concrete suggestion for improved wage policy.

Let me again advert to the necessity for understanding and preserving the profit system, if the needs and desires of the common man are to be served. In scores of legislative and administrative acts of the recent past, in hundreds more threatened for the immediate future, lie the germs of disease and destruction for our social order.

It is not speculative inflation that is threatened. Constructive business profit is attacked—at times by inadvertence, at times by intention. Of the legislative and administrative branches of the Government, it is required that true business profit be relieved of sus-

picion. More than this is required. It is required that true business profit be fostered and encouraged in every wise and effective way.

Summing up, the workers' interests will be served by—

1. Abandonment of the wage and hours policy of bill S. 87.

2. Abandonment by labor of corresponding wage and hour policies which retard recovery and reemployment.

3. Abandonment by industry of the search for profit by way of less production and higher prices, and a return to normal profit and business expansion through increased production and lower prices.

4. Acceptance by business of overtime wage policies which will distribute an increased sum in wages as the demand for workers rises above the level of the 40 hours per week.

5. Active protection of true business profit by Government for the sake of reemployment, increased pay rolls, and increased governmental income.

6. Confining repressive measures to the limiting of profit from speculative inflation, which destroys purchasing power, produces unemployment, and generates an unendurable burden of debt.

In a word, the worker needs an old-fashioned recovery with a new-fashioned lid on it—a lid which does not close down on the expansion of business profit and employment but does save him from the miseries of extreme boom and consequent depression. In the attainment of such a recovery, business, Governmet, and the workers can and must play their parts with cooperative spirit and clear understanding.

Senator McCarran. Would you mind going back there and explaining a little on subdivision 5? Just read that subdivision again.

Mr. Flanders (reading):

> Active protection of true business profit by Government for the sake of reemployment increased pay rolls, and increased governmental income.

Senator McCarran. Will you explain that a little further?

Mr. Flanders. Yes; either generally or specifically. I will take it up first generally. The point of view is that business in the past has always been expanded, employment has been increased, by the prospect of profit. That is the measure of the way in which we recover from a depression. In the expectation of the appearance of new profit the business man expands his operation, goes to the bank to borrow money for that purpose, convinces the banker that his hopes for profit have some foundation. The new funds hire new men, make new goods that go into circulation. That is the old way, and that way depends upon expectation of new profit. Profit is the generating power to that type of an increase of business, increase of employment, increase of funds in circulation.

Senator McCarran. That is anticipated profit?

Mr. Flanders. Anticipated profit. Anything that makes that anticipated profit doubtful tends to slow up that process.

Senator McCarran. I do not want to interrupt your thought, but I just want to get at this. How would you carry out the policy there of governmental insurance of profits?

Mr. Flanders. Not at all; no governmental insurance of profit.

Senator McCarran. Perhaps I do not recall the exact language of subdivision 5.

Mr. Flanders. Protection is not insurance. It is no business of the Government to insure profit to the business man.

Senator McCarran. Would you say governmental protection?

Mr. Flanders. Yes; I would be willing to use a word less decided than protection. I did use the word "protection." We have been trying under the codes to protect profit. The laboring man has been trying under the unions to protect hours and wages. That has resulted in the slowing up of business expansion. The Government's part in that is too simply make sure that it does not undertake policies or pass legislation which threatens true business profit and thus slow up the prophecies of recovery. Do you want me to give you a particular incident apart from this bill?

Senator McCarran. Yes; I would be glad to have it.

Mr. Flanders. I may say at once that it is an exceedingly controversial subject and perhaps I might better leave it alone, but I am willing to raise the question.

Senator McCarran. If it amplifies your thought.

Mr. Flanders. It does. It is very pertinent, I think. It relates to the current impression, which impression has a very large basis of fact, that public-utility rates, particularly electric-power rates, are too high, and that there have been too large profits in public utilities in the sale of electricity.

As I say, there is unquestionably a large basis of fact back of that, but I want to call attention to the two ways in which public-utility operations have had effect on the state of business and the effect that it has had on governmental policy with relation to it.

So far as the rates themselves are concerned, they affect, if carried down to the lowest rate that is consistent with maintaining property and paying interest on the investment which would represent only a comparatively few dollars a year saving to the individual user—I am not speaking of the industrial user, but the individual citizen using electric power in his house. Now, that is important; it is important to the extent of those few dollars which may run anywhere from $5 to $50 a year. So that is a matter of importance.

A matter of tremendously greater importance, so far as public utilities are concerned, was the basis of utility securities as a foundation for a tremendous speculative structure during the period 1926 to 1929, which was one of the major factors in the inflation of the crash. That use of such securities, the securities of utilities as a basis for speculative inflation, was a matter of tremendous importance. That wipes out the income of a family. When the Government puts major attention on a few dollars a year of payment of rates and does not see that the real major problem is the use of those securities as a foundation for speculative inflation, it is looking at the wrong thing. It is endeavoring to get in business the rate of profit down to a minimum; and that is just as true in the electrical industry as in any other industry.

We had during December an approach to the all-time high in output of kilowatt-hours. Under any ordinary previous conditions at a time of alleged all-time high in output of kilowatt-hours there would have followed a great demand for new electrical-power plants. The companies manufacturing electrical equipment would have been busy. There would have been a rush of funds into the investment

market for financing new electric-power plants, and there would have been a corresponding increase of employment in the industries to refurnish goods of that type.

The fact that the Government is concentrating on what is a minor question but an important question, but still a minor question of utility rates, means that that particular area which normally would be expanding and getting new money and hiring new men and increasing employment and distributing higher wages is dead. It probably will revive again, but it is just an unfortunate fact that it is dead.

Electrical rates have been coming down through the years and can continue to come down, but the endeavor to get them down as a major governmental policy which fills the public eye and which spreads itself across the front pages of the newspapers means that one of the many elements of reemployment, expanded wage distribution, is for the time being blocked.

I may say that I have absolutely no connection with any utility, except for the paying of bills, but I am interested in selling machinery to the manufacturers of electrical equipment, and am interested in increasing our employment thereby and should be very glad to see them increasing their employment thereby.

Senator HATCH. Are there any further questions?

Senator AUSTIN. Yes; I wanted to inquire whether any part of the product of your factory and other similar factories is sold abroad, whether it enters into foreign commerce.

Mr. FLANDERS. Yes, sir. Owing to the fact that our type of industry, which is a capital goods industry, has had practically no demand in this country for years, we have been forced to cultivate our foreign markets to the limit of our ability, and have been sustained by them. The employment that our men have had has been nearly 75 percent on account of foreign orders in the last 4 years, and any increase in the cost of those goods at that time, and at the present time, would make a very serious difficulty in the way of our continuing to sell abroad.

The situation at the present time is more nearly on a cost basis of comparison of prices than it has ever been before. Hitherto in a case of a customer in England or Germany or Japan or Italy or France deciding whether to buy American machinery of the type we make or machinery from some other country, there has been enough difference in the quality or character of the machinery, its productiveness, so that he is willing to pay a substantially larger amount for our goods. At the present time with the necessary price raises, and others threatened, that margin is cut down to the place where the price of our machinery for the first time becomes an important element.

Senator AUSTIN. What is your opinion of the effect on that business from arbitrary fixing of the hours of employment and the rates of wages?

Mr. FLANDERS. The proposals would call for a one-third increase in the wage rate. That would mean one-third increase in labor cost to us, because the 40-hour week is already so low compared to what workers are used to that they are fresh at the end of the day. That is, there is no advantage, such as we have had in time past, in going from 60 hours a week, as I used to work when I was a boy, down to

50 hours a week, whereby you got in a larger number of fresh hours a day and increased the output.

The men are now fresh at 40 hours. They would be no increase in output. There would be an added 33⅓ percent in wage rate, which in our case would make directly a certain increase of about 12 to 15 percent in cost, and, indirectly, as I described, a much larger one because everything we buy would be correspondingly increased in cost.

I made the statement that the ultimate price to the consumer of anything is all labor except taxes. No; I do not except taxes because taxes largely go into the pay roll ultimately—except interest, rent, and profit—and profit on the whole for business as a whole runs to only 5 or 6 percent, and what interest and rent runs I do not know; but at least 75 percent of everything you buy is labor, and I would expect that would raise our prices at least 25 percent, if this were universal. So that everything we bought had to be raised correspondingly to what we have to raise it.

Senator AUSTIN. Would that be reflected in employment in the industry, in your opinion?

Mr. FLANDERS. It would be reflected in our orders. Our orders would certainly decrease, particularly from abroad, and being reflected in our orders, it would evidently be reflected in our employment.

I was talking with a cotton mill man the other day. He said that a part of his decrease in orders could be laid to the substitution of the 36 hours for the 40 hours in the cotton-garment industries. They had had to raise prices, and the demand for them had gone down, and the demand in the cotton-goods industry had decreased very definitely by that movement.

So that comparatively, in order to drop from 40 hours to 36 hours in the cotton-garment industry had affected a number of men employed in his mills in South Carolina.

Senator AUSTIN. Speaking of the machine-tool industry in general, what do you think of the possibility of this bill, if it becomes a law, putting some of that industry out of commission entirely?

Mr. FLANDERS. It certainly would if we were not a hardy race. We are accustomed, sir, in hard times, to going down to 10 or 15 percent of our output at the peak. That is hard on us. It is much harder on the men.

What I am wishing to say there is, that those who have survived thus far can stand most anything, but I am not sure but what it would put some of the remainder of us out of business. But I am more concerned about the purposes of this bill, as to what it would do to the workers than I am as to what it would do to the companies, except as the fortunes of the companies, of course, affect the fortunes of the workers.

There is no question but what rises in price that would be necessary and the inability to sell at those increased prices would put a good many companies whose business is now reviving back to where they were, and they would be unable to survive the return to the conditions of 1932 and 1933.

Senator AUSTIN. Have you had to do with the N. R. A. and the application of it to business?

Mr. FLANDERS. I was a member of the Industrial Advisory Board of the N. R. A. from November of 1933 to March of 1934. It was from my experience there that I drew my references to bad industrial profits by trying to increase profits in the way I mention. I tell my fellow industrialists that their efforts to do that are exactly the same as trade-union policies, and both of them are false. The best example of the trade-union policies are the best evidence in the building trades that have been unable to find employment throughout the depression and have been compelled to recover more slowly than any other group of workers in the country; and it was proposed to apply things that have been so unsuccessful in the building trade to the whole range of labor and industry.

Senator HATCH. Mr. Wentworth.

STATEMENT OF W. A. WENTWORTH, SECRETARY, DAIRY INDUSTRY COMMITTEE, WASHINGTON, D. C.

Mr. WENTWORTH. My name is W. A. Wentworth, secretary of the Dairy Industry Committee. This committee is composed of official representatives from and is supported by the International Association of Milk Dealers, International Association of Ice-Cream Manufacturers, American Association of Creamery Butter Manufacturers, National Cheese Institute, Evaporated Milk Association, and Dry Milk Institute.

Those are, as you will recognize, the processors, the manufacturers, and the distributors of dairy products.

Senator McCARRAN. Are you connected with the National Dairy Products Corporation?

Mr. WENTWORTH. No, sir. Of course, they are members of some of these associations, along with a great many other members of the industry.

Senator McCARRAN. Would you mind naming some of the others that belong to your association?

Mr. WENTWORTH. Senator, the committee which I am here representing today is composed of these associations which I named. The various members of the industry are members of these several associations. For illustration, there are in the International Association of Milk Dealers some 425 members scattered throughout the United States. The subsidiaries of the National Dairies Products Corporation, the subsidiaries of the Borden Co., individual companies, all are members, varying in size from some that operate only 4 or 5 routes in their localities up to others who may operate several hundred. So the same illustration applies to the other associations. The membership is scattered. I think there are some 450 members in the Ice Cream Association. I can secure all that information for you. I did not bring it along with me.

Senator McCARRAN. But the principal one is the National Dairy Products?

Mr. WENTWORTH. I would not say that, Senator.

Senator McCARRAN. The National Dairy Products Corporation and the Borden concern?

Mr. WENTWORTH. Those two together, and the manufacturing in the dairy-products industry does not represent over 20 to 25 percent of the total volume.

Senator McCARRAN. That is individually, but collectively and through their affiliates and subsidiaries——

Mr. WENTWORTH. No; I mean all put together. The best estimate made—and this was several years ago, and it is very difficult to get an accurate estimate because of the vast distribution of the sale of these products—was about 4 billion dollars. The combination of the sales of the two companies which you mentioned will run about 20 percent of that. But I am glad I am not saying that under oath, because there are no recent figures on the total sales of the industry. That is, the last estimate I know of was made in 1928, and I am trying to apply the sales of those two companies of those years by recollection.

Milk and its products are handled, processed, and distributed by thousands of establishments throughout the United States. These establishments range in size from those operated by an individual who does all or most of the labor involved, such as a farmer who is a distributor of fresh milk or farm butter, and establishments which are largely, if not entirely, family enterprises where the processing and delivery is done entirely by the members of the family to rather large and industrialized establishments which may employ a hundred or more employees.

Under the provisions of section 7 (b) of S. 87 the act shall not "apply to agricultural or farm products processed for first sale by the original producer." This exempts from the provisions of the act a very large percentage of the product processed and delivered by establishments in the industry. For illustration, in the fluid-milk industry it is estimated by the International Association of Milk Dealers and corroborated by the N. R. A. that there are 104,000 delivery routes, upon which are employed some 120,000. Of these it is estimated that 45 percent are operated by producer-distributors who are engaged in processing "for first sale by the original producer." Thus almost one-half of this particular phase of fluid-milk distribution would be exempt from the provision of the act.

Let me say here that the number of farmers engaged in the retail or wholesale dairy or distribution of milk handling their own product varies greatly in different municipalities. We recognize that. Within the municipality of New York, for illustration, there are relatively few of them except in the outlying sections. However, that varies in different locations, largely dependent upon the local board-of-health requirements or other peculiar conditions that may develop down to where practically the majority of the milk is distributed by producers.

In the city of Los Angeles, for illustration, there are over 800 farmers who come into that market, interweaving in the distribution of that fluid milk in competition with the pasteurized-milk distributor and his employees. In Kansas City there are over 400. In New Orleans there are over 500. In the city of Des Moines, which is, perhaps, a representative Midwest city, there are over 130 farmers who are "peddling", if I may use that term, the products which they produce on their own farms.

Senator HATCH. Mr. Wentworth, I do not want unduly to hurry you, but we have another witness this morning, and I understand he has to leave at 12 o'clock, which is our regular time to adjourn. How much time would it take you to finish your statement?

Mr. WENTWORTH. Less than 10 minutes.

Although it may not be possible to place a correct interpretation upon the provisions of this bill as it may operate, it can be safely assumed, I believe, that when a group of original producers own and operate a cooperative processing and distributing plant their claim for exemption would be considered favorably, and there again would enter another competitive factor both in delivery and plant operations which would create discrimination of the highest sort. These same individual producers and producer-owned cooperative enterprises are not only engaged in the processing and distribution of fluid milk but also in the other products of the industry—butter, cheese, ice cream, and evaporated and dry milk—and hence the same discriminatory features of S. 87 would apply in all branches of the dairy industry.

Just one reference there: I think most of you are familiar, but Senator Austin more particularly, with the cooperatives that are operating in the milk industry in the New England sections and in the other markets of the United States.

The establishments engaged in this industry number as follows: Fluid-milk distribution, 55,000, of which 8,400 are dealers in pasteurized milk and 46,600 are producers engaged in processing for first sale. There are 4,505 butter-manufacturing plants, 3,432 cheese-manufactuirng plants, 3,702 ice-cream-manufacturing plants, and 460 evaporated- and dry-milk-manufacturing plants. The number engaged in fluid-milk distribution is the estimate of the industry substantially corroborated by N. R. A. The number of other establishments is the estimate of the Bureau of Agricultural Economics of the United States Department of Agriculture.

It is impossible to estimate the number or proportion of these many thousands of plants which are engaged in interstate commerce, although, of course, a substantial percentage of them are. This is particularly true in the metropolitan sections such as New York, Chicago, Philadelphia, St. Louis, and other cities located upon State borders. In those metropolitan areas there are establishments which are engaged solely within the confines of one State in direct competition with those which are engaged in industry which crosses the border line of the State. There are many illustrations which could be given of plants located farther within the border of any State which may be shipping their product in interstate commerce or receiving their product in interstate commerce who are in direct competition with establishments of a purely local and intrastate character.

Consequently, the ramifications of the milk and milk products industry insofar as its intrastate and interstate character are concerned are so great that there is no opportunity to disassociate them, and to impose the high costs of operation which the proposed bill would do would be highly discriminatory.

In the operations of the Agricultural Adjustment Act under which licenses have been applied in many fluid-milk markets there have been eight Federal court decisions which have indicated the intrastate character of the business of the enterprise or enterprises in question and which also indicated that Congress has no power to regulate.

I might refer to those eight Federal court decisions by name. They are: *Douglas* v. *Wallace*, Oklahoma City, Okla.; *Hillcrest Dairy* v. *Wallace*, Des Moines, Iowa; *Greenwood Dairy* v. *Wallace*, Indianapolis, Ind.; *A Group of Fifteen Dairies* v. *Wallace*, Louisville, Ky.; *Hill* v. *Darger*, *Keirtz* v. *Berdil*, Los Angeles, Calif.; *Edgewater Dairy* v. *Wallace*, Chicago, Ill.; *Royal Farms* v. *Wallace*, Baltimore, Md.

Those are very widely distributed, and two of them are particularly interesting because they involved intrastate business in competition with interstate business, Chicago and Baltimore being the two.

Confronted with these court decisions, this industry is further confused by any effort to regulate any portion of it which may be engaged in interstate commerce because of the competition always prevalent which is of an intrastate character.

A very complete study has been made of the numbers employed in the fluid-milk branch of this industry. This study has been corroborated by the N. R. A. In this it was shown that in March 1934 there were 98.8 percent of the number of employees in identical establishments which were engaged in the industry in March 1929. The pay roll in these establishments in March 1934 was 80.4 percent of the 1929 March pay roll. Since that date there have been many increases in pay roll, but no compilation thereof has been made.

A survey of 155 cities, representing most of the larger ones of the United States, disclosed that there were 24.6 percent more establishments engaged in the processing and distribution of pasteurized milk, there were 31.4 percent more producers processing and distributing, as well as practically double the number of so-called "peddlers" who purchase the product processed and packaged and distribute to the trade. It was not possible to obtain accurate statistics from these establishments, but it is reasonable to assume that those which have come into the industry since 1929 would materially increase the numbers employed and the pay roll so that at least the numbers employed would greatly exceed the 1929 employment.

Although these statistics of employment apply only to the fluid-milk branch of the industry, it can be assumed with reasonable accuracy that there is increased employment in the other branches of the industry—butter, ice cream, cheese, and evaporated and dry milk—because the total milk production on the farms in the United States increased 3.5 percent, and the number of establishments engaged in processing and distribution increased 7.75 percent. Consequently this industry as a whole has not contributed to unemployment in the United States but rather has absorbed a substantial number of those who were otherwise employed in the years preceding 1930.

It is well known that the raw product produced on and received from the farm—milk or farm-separated cream—is the most perishable of all farm products. Milk is produced by 26,062,000 dairy cows, distributed in all of the States. Of course, in some States, such as Wisconsin and New York, there are many more dairy cattle than in some of the less intensive milk-producing States, but in each of them milk is produced every day and must be handled with the greatest promptitude in order to preserve its freshness and sweet, wholesome condition. As a result of this, when the milk or cream is received at any milk- or cream-processing plant it must be handled

immediately. If received in the morning, it must be immediately pasteurized and cooled and started into the channels of the form and character in which it reaches the consumer. The same applies if it is received in the afternoon or at night.

Weather conditions cause delays in delivery. Mechanical breakdowns in transportation facilities cause irregular deliveries and this irregularity in the receipt of milk and cream for processing due to day-to-day conditions over which employers in the industry have no control make it impossible to apply hard and fast restrictions of the hours of employment.

In addition to this day-to-day fluctuation, it is common knowledge to you gentlemen that seasonal variations cause tremendous fluctuations in the volume of milk produced upon the farms. In the late spring and summer under pasture conditions milk production is much greater than in the winter months when the cows are stabled and dry-fed. The United States Department of Agriculture indicates that on the average the production of milk in the month of June is 66 percent larger than in the month of November.

To endeavor to comply with hard and fast hours of labor without the fluctuations that can take care of the situation would mean in many localities in the United States the creation of competition with farm labor. That is, the vast number of these plants are located in rural sections. For illustration I might say that over 30 percent of them are in villages of less than 1,000 population and 55 percent of them are in villages of less than 2,500 population. In other words, much of the number of establishments are sort of rural in nature and in competition with farm labor for their unskilled employees.

To handle this highly perishable milk and its products properly requires skill among most employees which is little known in other industries. It has been a slow process through college and industry training to develop qualified men in sufficient number to meet the needs of the industry. The necessity for sanitation, the necessity for proper machinery operation, control of temperatures, and the skilled handling of bacterial cultures used in the production of butter, cheese, and some forms of milk, should be recognized in any provision or suggestion relative to employment in any branch of this industry.

In the ice-cream industry consumption varies tremendously as between seasons. In July, the highest month of consumption, more than 4 times as much is used as in January which causes tremendous variation in the amount of labor involved. This branch of the industry, like the other branches, requires great skill in operation and there is no surplus of these skilled workers available.

Each branch of the industry has met this fluctuating condition in production and consumption throughout the year by expecting more of its employees in the periods of extra production and consumption with in turn much lighter work and shorter hours in the periods of less demand.

In the fluid-milk industry 22 percent of the total sales dollar went into pay roll in 1929 while in 1933 it had increased to 29 percent. In the other branches of the industry approximately the same increase prevails with the figures ranging from 25 to 32 percent of the sales dollar at the present time.

Let me say that 50 percent, approximately, of the sales dollar goes to the farmer through his product, and then, of the 50 percent, more than half of it goes to labor.

This is a reflection of the acceptance by the industry on a voluntary basis of the provisions of the National Industrial Recovery Act, which brought on a reduction in the average number of hours worked in the plants from 60 per week to 48. These industries being direct handlers of a farm product and most of them being the only handler between the producer and the consumer, they cannot accept increased labor costs without a direct influence upon the return to the producer of milk and cream. Such would tend to defeat the purposes of this Congress and the administration in increasing farm income.

A 30-hour week or a 6-hour day or even the provisions of section 1 which authorizes the Secretary of Labor to issue exemptions would place upon an administrative branch of the Government the practical necessity of waiving the provisions of the act or to impose a hardship and a discrimination which would defeat the purposes of the act by throwing the handling of these products into the hands of producers who are exempt from the act or establishments which are engaged solely in intrastate business. The industry believes that Congress should recognize the character of the milk and milk-products industry and exempt it from the provisions of the act and therefore respectfully request that the same consideration be given as was given when similar legislation was under consideration 2 years ago and milk and milk products were exempted from the provisions of the bill then under consideration.

Senator Austin. I want to inquire whether it is true that the stock of private corporations which are exempt under this bill is broadly spread out among farmers who are interested in dairying.

Mr. Wentworth. I do not know what percentage or proportion of the stock of corporate enterprises is owned by farmers. I do not believe any analysis has ever been made of that. However, there are thousands and thousands of cooperative enterprises in which the stock is owned entirely by farmers, and the question there would arise, of course, as to the influence it would have upon the ownership of that stock.

Senator Austin. Well, you would have immediately the question raised as to whether that private corporation was exempt or not, would you not?

Mr. Wentworth. Yes; it is a serious question under the bill as it is proposed.

Senator Austin. The corporation is an entity by itself; and therefore, distinct and separate from the farmer who produces the milk.

Mr. Wentworth. Yes. I think it was designed to be that, but the best information we can get is that the wording as it is might not exempt these cooperative enterprises.

Let me say this, if I may: This industry, by and large, whether it is fluid milk or butter or ice cream or what not, is dealing directly with farmers. They have felt and continue to feel that their greatest obligation rests under the Agricultural Adjustment Act to do everything they possibly can to increase their farm revenue.

At the present time, as I indicated, employment is 100 percent or more of what it was in 1929. The pay roll is at least 80 percent

of what it was. In contrast to that, the pay roll to the farmer in this industry up until the past few months, when there has been an increase in the price of butter and other basic dairy products, has been only running about 50 to 60 percent for the year 1934. Employees in the industry are well taken care of, we think. We are confident of that. The farmer still is not. To impose any additional cost upon this industry, which is almost a direct link between the farmer and the consumer, can only do one of two things. It would either increase the price to the consumer or decrease the price to the farmer.

In the study which was made of one branch of this industry under the fluid-milk code, it was brought out that a decrease in the number of hours or a hard-and-fast limitation of hours in the distribution of milk as that milk is taken from the platform of the plant to the consumer on the average number of bottles of milk that a man distributes—that is, if he were decreased down to 40 hours a week—it would increase the cost on that one item of 1.2 cents per quart. The other costs would mean a 2-percent increase in the price of milk. Or turning it around, some of that would have to come off the farmer if the consumer could not pay it, because it is not in the spread to absorb that at all. We are so direct in all of these products between producer and consumer that it has immediate effect.

Senator AUSTIN. In the Boston milk shed is not the claim made by the Department of Agriculture that the price to the consumer is already as high as it can go?

Mr. WENTWORTH. Without seriously decreasing consumption, Senator; yes, sir.

Senator AUSTIN. There is another effect there that is bad, is there not, and that is the classification of milk on a lower standard in order to escape some of the costs of the first-quality milk?

Mr. WENTWORTH. Well, there is a great deal of misunderstanding about the methods of milk purchase in the average fluid milk where there has been developed the classified milk plant. Class 1 of the normal milk is milk which is sold as a fluid milk. Class 2 is that which is sold as cream after separation. Class 3 is what may be made into cottage cheese or butter. In the wind-up in the price that the farmer gets, he gets an average of this.

Then there enters into it the basic surplus arrangement in which the regular producer, because of his regularity in production, gets a price for so much and then so much for anything he produces over that.

When you try to put that all together and explain it so that it is understood by all producers—and for that matter, consumers—it becomes such a complicated thing that it would take much more time than we have here probably to explain it; but it is a system that has grown up in the industry during the past 15 years of recognizing mainly two things: Return to the regular producer in exchange for his recognition of regularity of consumption of fluid milk; and second, higher price in the long run to the purchaser because milk which goes into fluid-milk channels brings a higher price than that which might go into the other forms of products. But all milk as it starts is the same. The classification is on the producer's regularity of production.

Senator AUSTIN. The point I am getting at is this: The evasion of the price is sometimes accomplished by employing a greater quantity of that class of milk which the farmer gets a lower price for, is it not?

Mr. WENTWORTH. I would not admit that any reputable institution in this industry does that, any more than I would admit that the reputable banks or reputable industries of any other nature willfully do such a thing. It has been charged against some companies, and with thousands of them it is possible that some of them have cheated the farmer, but I know from personal knowledge and also have confidence that that is not general.

At the present time there are 15 States which have State-control legislation. There 48 or 49 cities which are under licenses; I mean the milk industry is under licenses, of the Agricultural Adjustment Administration. Those administrative bodies, whether it be the State or the A. A. A., have access to the books and records with regard to the utilization of that milk.

Now, prior to that, in most markets there were cooperative farmer-producer organizations; and, so far as I know, they had on their staff auditors whose duties were to check the accuracy of the utilization of the milk and see that the reports were proper and right. Some abuse has crept in. It is a human industry. It has been magnified to a far greater extent than it should have been, however, just the same as we were prone a little while ago to say that all bankers were bad. Well, we know all of them were not. Some of them may have slipped a peg or two, but to make such an accusation against the industry as a whole, I think you will realize is incorrect. Now there is growing up more regulation, a very important part of which is to very carefully check this matter.

STATEMENT OF WALTER TOWER, SECRETARY AMERICAN IRON AND STEEL INSTITUTE

Senator HATCH. Mr. Tower, will you please state your name and whom you represent?

Mr. TOWER. My name is Walter S. Tower. I am executive secretary of the American Iron and Steel Institute. My address is 350 Fifth Avenue, New York.

The American Iron and Steel Institute, on behalf of its members, which represent more than 90 percent of the steel-making capacity of the country, wishes to register its protest against the so-called "Black-Connery bill" providing for a maximum work week of 30 hours.

The steel industry is opposed to the 30-hours-per-week bill, because practically every consideration of the effects of such legislation, if it were enacted, is an argument against it. No sound arguments can be advanced in favor of it.

During the year 1934 the steel industry operated at an average level of 37 percent of capacity and gave employment to an average of 370,000 wage-earning employees. The maximum employed in the industry during the book year of 1929, when the rate of operations averaged 89 percent, was 420,000. Studies made by American Iron and Steel Institute indicate that under present steel-code provisions, in respect of maximum hours with an assumed operating rate of only

70 percent, the industry would require 524,000 wage employees, or 154,000 more than the average number employed in 1934, and 104,000 more than the maximum employed in 1929. A maximum of 30 hours per week, with an operating rate of 70 percent, would require 699,000 wage-earning employees, or 329,000 more than the average for 1934, and 279,000 more than the number employed in 1929.

A large proportion of such additional employees would have to be highly skilled workers in order to perform the required operations. However, the depression has greatly reduced the normal flow, through training activities of new men into the steel industry, so that considerable difficulty was experienced in building the pay roll up to the number required even for an operating rate of 57 percent in May and June of 1934. Positively no such supply of experienced workers could be found in the country as would be required for a reasonably good rate of operations under a limit of 30 hours per week.

The average hours of work in the steel industry could not be drastically reduced by legislation without causing most serious dislocations, affecting both employees and employers. It took 30 years, from 1900 to 1930, to reduce working hours in industry generally by 13 percent under the normal processes of industrial evolution.

During 1934, with the operating rate averaging 37 percent and a work week limited to 40 hours by the steel code, wage-earning employees in the steel industry actually worked an average of only 29.5 hours per week, which, at the average rate of earnings per hour, meant an average weekly pay envelope of $18.53 per wage-earning employee. The best actual average work week that could be reached under a 30-hour maximum week probably would be not more than 28 hours, which, if in effect during 1934, would have reduced the average weekly pay envelope of wage-earning employees in the steel industry to $17.58. In other words, without materially increased rates of pay per hour, the effect of a 30-hour week would be to freeze the earnings of all such wage-earning employees at or below a bare subsistence level.

Do you gentlemen of the committee think or believe that the workingman of this country is going to be satisfied in having his weekly earning limited by law to the amount received in 1934?

I should like to ask now whether you gentlemen on this committee believe that the workingmen of this country are going to be satisfied if they are able to realize a pay envelop limited by law to the amount received in 1934?

With a reasonably good rate of operations the present 40 hours per week will permit weekly earnings one-third greater than could be attained under a 30-hour week. If the rate of pay per hour under a 30-hour week were to be increased to provide weekly earnings equal to those under a 40-hour week, the increased labor cost alone in the steel industry would be $185,000,000 for a year of low operations, such as 1934. During that year the industry suffered heavy losses under the existing wage scales and could not have borne such additional costs unless they could have been passed on to consumers in the form of increased prices for steel products.

Increasing employment by decreasing the average hours of work for everyone does not promote recovery. It merely substitutes work relief for direct relief in the case of some at the expense of the others. Reducing average hours of work and increasing rates of pay per

hour do not necessarily increase purchasing power. Purchasing power originates in the production and exchange of goods and services, and unless the volume of goods and services is increased there can be no increase in aggregate purchasing power. Generally speaking, only a definite number of hours of work are required to produce a certain volume of any goods or any service. Those hours of work may be shared by few or by many; the total wages paid remain the same and purchasing power is not increased.

Senator HATCH. Mr. Tower, I am sorry to interrupt you, but there is a roll call and we will have to leave. We will take a recess now until 1:45 o'clock.

(Thereupon, at 12:05 p. m., a recess was taken until 1:45 p. m.)

AFTER RECESS

At the expiration of the recess the hearing was resumed at 2 p. m.

STATEMENT OF WALTER TOWER, REPRESENTING THE IRON AND STEEL INDUSTRY—Resumed

Senator HATCH. Mr. Tower, you may proceed, if you are ready.

Mr. TOWER. Mr. Chairman, in picking up the thread of what I presented to you this morning, I would recall to your mind the statement of the impossibility of finding in the United States an additional number of experienced and qualified workers which would be necessary in the steel industry under a limitation of 30 hours per week; and, second, the statement that I made concerning the additional wages that would be involved in the weekly pay envelop on the basis of 30 hours per week would be equivalent to what it is now.

Senator HATCH. I recall both those statements. I want to ask you, in connection with your statement about skilled workers, if in your industry it is possible to speed up and make your organization more efficient to take care of any part of that extra work, by means of technological improvement and things of that sort.

Mr. TOWER. I doubt if there is very much slack of that sort.

Senator HATCH. You have already stretched that as far as you can go?

Mr. TOWER. I think that has been driven pretty near to the limit, Senator Hatch, in the effort to get costs down. Really, extraordinary progress has been made in that direction in the last 10 or 12 years.

The direct labor cost, above referred to, would not represent the only increased burden on the steel industry resulting from a shorter work week. The many new inexperienced employees which would have to be injected into the working forces would lower the average efficiency of all. Shorter hours would also entail less efficient plant utilization, all of which would mean a decrease in output per worker and an increase in production costs per unit. The result would be either ultimately higher prices for the consumer or greater losses for the producer. All industries would tend to be affected alike, and when the increased costs had gone around the circle the real income of labor, measured by aggregate purchasing power, would certainly be no more than before. Decreased purchasing power would retard business and slow down recovery.

The international trade situation is also worth considering. Our workmen are in competition with those of foreign countries where wage earners work 60 hours or more per week and rates of pay per hour are reported to be only one-half to one-tenth of the rates paid in the United States. A still further reduction in hours and increase in rates in this country would give foreign producers of steel just so much more advantage in our local markets and still further reduce our possibilities of competition in foreign markets.

For the foregoing reasons the steel industry is convinced that the proposed 30-hour-week bill should not be reported favorably by this committee.

Senator HATCH. I would like to ask you how the general conditions in your industry are at this time. Are you absorbing your previous unemployment?

Mr. TOWER. The steel industry has gone pretty far toward absorbing the total number of employees which were in industry at the highest point of operation.

Senator HATCH. Could you give us the percentage?

Mr. TOWER. As a matter of fact, at the high point of production reached last year, which was about 57 percent in May and June, the total number of wage-earning employees was almost exactly the same or possibly a shade higher than the total number in 1929, which was the best year of operation the steel industry ever had. I don't know what the figures are for January of this year. The statement is out, but I have not seen it. I would say offhand that the number employed in January 1935 was probably not more than 20,0000, or, at the outside, 25,000, short of that high figure we reached in 1929. There is very little left of labor that ever was in the steel industry that still is to be absorbed, and a relatively slight increase in the rate of operation from the present level would take the industry back to full reemployment of all the men they ever had.

Senator HATCH. Are the conditions such that you may reasonably anticipate such a slight increase?

Mr. TOWER. I think the way the rate of operation has been running prior to very recently, in a gradual creeping forward over the last 10 or 11 weeks, that a continuation of that increase in a very brief interval would bring the employment in the industry back to the high level it reached in 1929.

Senator HATCH. How about your scale of wages now compared to then? Are the employees getting as much in the mass as they were in 1929?

Mr. TOWER. In the mass, they are getting more.

Senator HATCH. That is all. Thank you, Mr. Tower.

Senator AUSTIN. Mr. Chairman, if this is an appropriate time, I would like to have filed for the consideration of the committee a petition signed by employees of the Rivett Lathe & Grinder Corporation of Brighton, Boston, Mass., in opposition to the bill; and another petition by salary and wage earners in the city of New Haven, Conn., opposing the bill.

I would like to have printed in the record a statement in the nature of a brief by the Consumers' Goods Industries Committee; and a similar statement by the Toy Manufacturers of the United States of America, Inc., submitted by W. A. Coventry, president.

(The petitions above referred to were filed with the committee; and the statements above referred to are here printed in full, as follows:)

STATEMENT OF THE CONSUMERS' GOODS INDUSTRIES COMMITTEE ON BLACK 30-HOUR BILL, S. 87, SUBMITTED TO THE SENATE JUDICIARY COMMITTEE AT THE HEARING FEBRUARY 15, 1935

(Submitted by Mr. Roscoe Edlund)

INDUSTRIES REPRESENTED ON THE CONSUMERS' GOODS INDUSTRIES COMMITTEE

Automobile parts and equipment industry, baking industry, bituminous coal industry, chemical industry, cotton textile industry, fish and lobster industries, food industry, glass industry, hosiery industry, ice industry, men's clothing industry, paper and pulp industry, retail drug trade, retail dry goods trade, rubber industry, shoe industry, silk textile industry, soap and glycerin industry, wholesale grocery trade, and wool textile industry.

This statement is submitted on behalf of the Consumers Goods Industries Committee. The committee consists of 22 members and alternates elected last March by a general meeting of code authorities of consumers goods industries, and is thoroughly representative of such industries. It is submitted on behalf of the consumers goods industries generally and not on behalf of any particular industry or company.

I. FOR THE LABOR PROVISIONS OF THE N. R. A.

The Consumers Goods Industries Committee has, from the beginning, loyally and sincerely supported the policy of the administration with respect to the N. R. A.

Our committee wishes again to reaffirm its previous conclusion that the provisions in the codes of fair competition relating to hours, wages, and to the abolition of child labor, of the sweatshop, and of other unfair conditions of labor have been enormously beneficial to labor and should be continued, under present conditions, at least until greater experience has indicated what the permanent policy should be.

They have helped the employers who desire to be fair—and the overwhelming majority do sincerely desire to be fair—against the small minority who, by their competition, created downward pressures that were irresistible.

Those pressures have been relieved. Levels have been fixed in each industry below which competition in hours, wages, and working conditions must not go. The N. R. A. built a floor under human labor. It added hundreds of thousands of employees to pay rolls.[1] It added hundreds of millions of dollars to pay rolls. It has provided machinery by which further relief in individual industries may be accorded wherever and whenever circumstances may permit.

II. AGAINST THE 30-HOUR WEEK

We are also in accord with the general purpose that motivates the proponents of this bill, namely, to promote recovery and increase reemployment.

It is our considered opinion, however, that this bill would not promote that purpose, but would defeat it, and do infinitely greater harm than good.

We are against this bill, not because we are against its purpose, but because we are against the means selected to accomplish that purpose.

It is our sincere conviction that any attempt to reduce the hours of labor to a flat 30-hour week, with corresponding increases in hourly compensation, is uneconomic, impracticable, and dangerous.

It would dislocate industry and destroy confidence.
It would aggravate and continue the depression.
It would create cost burdens impossible to bear.
It would increase prices, curtail production, and decrease employment.

[1] 3,500,000 workers were added to industries under codes between March 1933 and January 1935. It is impossible to tell exactly how many are attributable to the N. R. A.—how many to the public-works program, but certainly the N. R. A. is entitled to credit for a very large proportion of them. Report of N. R. A. Research and Planning Division, January 1935, p. 92.

It would nullify the policy of restoring the farmer's purchasing power to parity.

It would further curtail our export trade and increase imports.

It would seriously retard the normal method of recovery, namely, the revival of the durable goods and construction industries.

It would force bankruptcies, foment strikes and labor troubles, and strike a death blow at many small enterprises.

It would stimulate the displacement of labor by machinery.

Much as it would injure employers, it would injure employees more.

It would set back recovery for an indefinite period of years and would prevent—and not aid—the solution of the employment problem.

III. CONDITIONS VARY SO WIDELY AS BETWEEN DIFFERENT INDUSTRIES THAT HOURS AND WAGES CANNOT BE REGULATED BY GENERAL RULES

If there is one thing that the experience of the N. R. A. has made clear, it is this—that conditions vary so widely as between different industries that no general rule can be laid down as to employment, hours, and wages with respect to all industries. However fair such a rule might be with respect to some industries, it would certainly have disastrous consequences to others.

Many industries could not possibly increase their wages as this bill contemplates without serious danger of forcing the weaker units into bankruptcy. Figures have been quoted from which this committee is asked to infer that the financial capacity to pay these increased wages exists. As will be pointed out later, there are vast sections of industry that are already operating in the red, and even within the same industry the widest differences exist between the various companies with respect to their capacity to pay. Burdens which might perhaps be borne by some industries or some of the strongest companies would utterly bankrupt others.

Moreover, some industries have already reabsorbed substantially all of the burden of unemployment reasonably attributable to them. Of the 10,000,000 unemployed, probably 5,000,000 are in the durable goods industries and 5,000,000 in other trades and services. Of the latter, only a relatively small part are in the consumers-goods industries. The consumers-goods industries have already reemployed a much larger proportion of employees on the 1929 basis than have other branches of industry. Some individual industries—cotton-textile industry, the paper industry, the meat-packing industry, and the chemical industry for example [2]—are already actually employing as many or more employees than they were in 1929. It would be impossible and utterly unfair to load upon the consumers-goods industries the major task of absorbing the great amount of unemployment still existing in other industries.

Moreover, many industries cannot be operated safely and economically—indeed they cannot be operated at all—without highly skilled and experienced workers. There are not enough of such skilled workers in the country to operate many of these industries upon a 6-hour day, 5-day week basis. The result would be not only a labor shortage in many trades, it would be an actual curtailment of production. The labor simply does not exist to operate those industries on that basis.

Industries in small communities would also be unable to secure the necessary additional labor. Labor would have to be imported from other communities and would be left stranded on the return to normal conditions.

Furthermore, a flat reduction would cause incredibly difficult operating problems. Many industries could not maintain their present production on a single shift of 6 hours. Their business would not justify two shifts of 6 hours. In many cases it would be impracticable to operate 1 full shift and 1 part shift. Similarly, many 2-shift industries could not operate on 3 shifts. The production of such industries would be completely dislocated.

Other industries or departments in an industry have to meet peak loads and absolutely require the flexibility provided in the N. R. A. codes. This bill expressly modifies the codes and destroys that flexibility.

In some industries the proportion of labor cost is greater than in others. A flat increase in labor costs bears inequitably upon them.

Some enterprises, interstate in character, compete with others wholly intrastate which would not be affected by this bill. The interstate businesses would be subjected to an unfair, oppressive, and ruinous disadvantage.

---

[2] U. S. Bureau of Labor Statistics.

IV. THE 30-HOUR WEEK, WITH CORRESPONDING WAGE ADJUSTMENTS, IS UTTERLY BEYOND THE FINANCIAL CAPACITY OF INDUSTRY TO BEAR

If a readjustment of hours alone were involved, that would be serious enough, but that is not all. It is, of course, expected and intended that the hourly wage will be raised to give the same weekly pay for a 30-hour week that is now paid for the standard 40-hour week. The proponents of this bill would not be satisfied with anything less.

That means, roughly, a one-third increase in total wages and in number of employees where an industry has been operating on a 40-hour week. That would be an utterly impossible burden for industry to bear.

It is difficult to determine what the total effect would be on industry, considered as a whole, because the bill would not bear equally upon all industries. Some fields are exempted and some companies or industries are not now operating on a 40-hour week. Some of the durable goods industries, for example, are not now operating even 30 hours a week. Such industries might not be required to employ additional workers, but, nevertheless, as shown below, might still be forced to increase the hourly wage.

It would, however, be no comfort to a company or an industry which is confronted with an impossible wage increase to know that other industries or other companies in the same industry might escape.

Roughly, about 40,000,000 persons are engaged in gainful occupations. Proponents of the bill claim that about 19,000,000 of these are employed in industries directly covered by the act.[3]

The object of the bill would therefore seem to be to increase this number by one-third, or about 6,000,000 workers. The average wage of such workers is about $1,200 a year, and this would mean a wage increase of approximately $7,500,000,000.

Proponents of the bill do not claim so large a figure, however. In attempting to minimize the burden, and by deductions the exact nature of which is not clear but which are said to reflect "incomplete coverage in certain industries", they now claim that the bill would increase employment by not more than 3,500,000 men.[4]

It is obvious, however, that if 30 hours is made not only the standard work week but a rigid maximum work week it would be impossible to operate on such a precise basis that every employee would receive the full 30 hours. Temporary layoffs, unavoidable peak and slack periods, illness, vacations, etc., would have to be provided for and the number of employees arranged accordingly, as they are now. If, under a standard 40-hour week the actual hours per worker are 37½, then under a rigid maximum 30-hour week the average per worker would be considerably less than 30 hours.

Moreover, even where an industry is not working even 30 hours per week at the present time, it would have to adjust its operating hours to 6 hours per day. It might also have to increase its hourly wage rates to prevent reduction of the "daily" wage, even though no additional employees were taken on.[5]

Through using "emergency" arguments to secure its passage, the objects of its proponents is to make the 30-hour bill part of the permanent policy of the country. Unlike the N. I. R. A., the bill is not limited to the emergency.

Even enterprises not indirectly covered by the bill would be strongly affected by labor pressure or by supplementary State or Federal legislation to conform their hours and wages to those made "standard" by Federal law. Every effort will undoubtedly be made to extend it to exempted enterprises and to block every "loophole" of escape.

Assuming, however, that employment would be increased by 3,500,000 men in certain industries, that would mean for those industries a wage increase of approximately $4,200,000,000.

Such a proposal is utterly impossible upon its face. Where is the money coming from?

---

[3] The 19,000,000 figure is arrived at by eliminating farmers, agricultural labor, professional and management groups, Government employees, domestic servants, water transportation, etc.

[4] These deductions are apparently based in part upon the theory that, although the standard work week is 40 hours, the average hours actually worked by each employee today is approximately 37½ hours. The inference is then drawn that the increased employment would represent only 7.5/30ths of the present number of workers instead of 10/30ths (or ⅓).

[5] Similarly, where the standard work week is 40 hours but the actual hours per worker are only 37½. the proponents of the bill would not be satisfied to have the hourly wage adjusted in the proportions of 37½ : 30. They would demand a full adjustment to a 40 : 30 basis to avoid reduction in the rates on a "daily" basis.

The cost of such an increase cannot possibly come out of earnings. Industry has no such earnings. The margin of profit is very narrow, where it exists at all, and whole vast sections of industry are still operating in the red and have been so operating for several years. Even in industries where some of the largest and most efficient units are making a profit, the greater number of smaller and less fortunate units would be bankrupted by any such proposal.

It cannot be paid out of working capital. The working capital of most industries is gone. As the N. R. A. itself pointed out during the recent hearing, industry lost $9,000,000,000 in working capital in the year 1932 alone, and the depression has now continued 5 years.

Figures as to the profits of a small number of corporations prepared by the Standard Statistics Co. and the Federal Reserve Bank of New York have been cited before this committee for the purpose of showing increased profits on the part of certain corporations in 1933 and 1934. Those figures are utterly misleading.

They relate to a very small number of companies—relatively speaking—290 for the Federal Reserve Bank and 418 for the Standard Statistics Co. They represent the very "cream of the crop"—the very largest and most efficient in each line—corporations whose earnings are made public and are readily available.

As indicating how misleading these figures are, when applied to this problem, both groups of statistics showed substantial profits for the year 1932, when, according to the Government's own figures, the business of the country taken as a whole, lost the stupendous sum of $9,000,000,000 in working capital—not counting capital losses—thus producing the conditions existing when President Roosevelt took office in 1933.

It is said by the Standard Statistics Co. that 418 industrial corporations had a net income of $49,000,000 in 1932 and $605,000,000 in 1933. But what does that signify in view of the fact—as shown by the reports of the Income Tax Department of the United States Treasury itself—that 348,954 companies lost $6,400,000,000 in 1932 and that 316,856 companies lost $4,500,000,000 in 1933?[6] The Treasury figures for 1934 are not available.

Even if some of those 418 companies could increase their wages by one-third without going into bankruptcy (and it is practically certain that such an increase would more than swallow up the profits) what about the more than 300,000 other corporations which, as the Treasury figures above cited show, lost $11,000,000,000 during that same period? Where would they get the money to pay their part of $4,200,000,000 more in wages?

And this crushing burden would bear particularly upon the small industries which are not so well financed and which would have the most difficulty in rearranging their employment.

With all the earnestness in our power we want to draw attention to this fact because it seems to be entirely overlooked by the proponents of the 30-hour bill. They picture industry as composed entirely of large and profitable corporations. They do not see the thousands of small enterprises which are struggling for their very lives and which this legislation would destroy.

You cannot increase employment by forcing employers into bankruptcy. You only destroy their capacity to employ.

You cannot increase employment by starting another major depression.

V. EFFECTS OF PRICE INCREASE RESULTING FROM WAGE INCREASES

It has been shown above that the wage increase in most cases cannot be paid out of profits or out of working capital. It must then be passed on to the consumer by increasing the price of the product.

1. *Effect on the worker.*—Suppose that the wage increase were passed on to the consumer in higher prices. In that case it would merely increase the cost of living. That would turn the whole proposal into a work-sharing plan, under which those who are now employed would get proportionately less real wages than they receive today. There would be no increase in the total purchasing power.

Moreover, such a price increase would create consumer resistance, curtail demand and actually decrease production.

---

[6] In 1932, 78,775 other corporations had profits of $1,850,000,000 and in 1933, 104,702 corporations had profits of $2,500,000,000.

The net loss for all reporting corporations during those 2 years was $4,550,000,000 and $2,000,000,000, respectively.

Source: U. S. Treasury figures.

2. *Effect on the farmer.*—The farmer is ostensibly exempted from this bill. But the farmer would not be exempted from the increase in prices of manufactured goods and services, which would result from this bill. How would he like a further increase in the well-known price of overalls? How will he react to further increases in the price of everything he buys—clothes, machinery, even foods?

The parity between farm products and manufactured products, which the Government is struggling to restore, would be nullified.

Moreover, what would be the position of the farmer with respect to his own labor? Would the farmer be able to hold his employees or would the best of them desert the farm and go to the towns seeking a 30-hour week at these high wages? The farmer's opposition to "daylight saving time" would be nothing to his opposition to this.

The farmer—as well as the manufacturer—would certainly be squeezed between increasing labor costs and decreased labor efficiency added to the increased cost of the things he has to buy.

3. *Effect on foreign trade.*—Again the Government is struggling to promote our foreign trade. This bill would practically exclude us from the export markets of the world. How could we compete with Japan—or even Europe?

Moreover, it would seriously hamper the domestic producer in competition with the importer. The tariffs have been established with a view to equalizing labor costs and protecting the American manufacturer against cheaper labor abroad. This tariff equalization would no longer be effective if labor costs to the American manufacturer were arbitrarily, by Government fiat, suddenly increased one-third. This country is already Japan's largest customer—larger even than China—with 400,000,000 people, or India with 300,000,000.

It is true that the Connery bill in the House pretends to make provision to equalize this disadvantage, but the means suggested would be utterly ineffective to that end.

4. *Effect on production.*—Thus, by creating consumer resistance, decreasing the purchasing power of the farmer, by decreasing exports and increasing imports, production would be still further reduced, and the real income of the country—measured by goods actually produced—would be decreased.

5. *Effect on durable-goods industries.*—Economists generally, including the Government's own advisers, agree that the key to recovery lies in reviving the durable-goods industries, including construction.

This increase in prices and wages would defeat the Government's program of encouraging those industries.

Those industries cannot be stimulated until the Consumers Goods Industries have profits with which to make repairs, replacements, and extensions. By destroying those profits and dislocating the Consumers Goods Industries this bill would prevent the revival of the durable-goods industries.

Moreover, any higher wages and higher costs in the construction industries would certainly act as a further deterrent to construction—and the same is true as to durable goods generally.

6. *Quantitative effect on prices.*—In the nature of things the increase in wage cost would certainly be passed on to the consumer by price increases, as far as possible.

Supporters of the 30-hour week have tried to show that the effect on prices would be negligible by minimizing the proportion of the price of manufactured goods represented by labor cost.

Thus for example, it has been claimed that wages in 1933 represented only 16.7 percent of the value of the manufactured products of the country, and that an increase of 20 percent in wages would only increase prices 3.3 percent.

This is palpably wrong and every manufacturer and every business man in the country knows it is wrong.

If the money received for goods in 1933 did not go to labor, where did it go? Certainly not to profits, for there were no profits, industry as a whole was operating deeply in the red.

This 16.7-percent labor figure is arrived at by considering only the "direct" labor cost of manufacturing. It omits the "indirect" labor cost concealed in materials, transportation, selling cost, etc.

It fails to recognize that every yard of cloth bought by the maker of overalls represents indirect labor. Every pound of coal and every pound of cotton bought by the cloth maker represents labor. Every machine bought by the coal mine represents labor. Every mile of transportation and every salesman represents labor.

Even the payment of returns on capital invested or rent on buildings represents in large part a deferred and gradual payment for the labor that entered into machinery and construction.

When industry is operating on a profitless basis almost every dollar of the price represents direct and indirect labor.

And these labor costs "pyramid" every step of the way, from the raw material, often through many stages of production and distribution, to the consumers' hands. The increased labor cost due to the 30-hour week is in substance a sales tax on every stage.

And if the percentage increase in wage cost is 33⅓ percent or even 20 percent it would be absurd to suppose that this increase reflected in price would be only 3.3 percent.

Statistics reflecting with accuracy total labor cost are not available. One way to show roughly the total returns to labor—direct and indirect—is through the United States Commerce Department's figures as to the national income. They show the following for 1933:

Total value of the national production	$42, 800, 000, 000
Total payments out by producers:	
1. Wages and salaries of labor including agricultural labor	29, 300,000, 000
2. Payments to capital: [2]	
Dividends	2, 100, 000, 000
Interest	5, 200, 000, 000
3. Rents and royalties [3]	2, 300, 000, 000
4. Income of farmers and other self-employed individual enterprises (in substances—self-payment of wages, by 9,000,000 persons)	7, 900, 000, 000
Total payments	46, 800, 000, 000
Net loss	4, 000, 000, 000

If the payments to small enterprises operated by individuals are assumed to be roughly equal to the value of their products and subtracted from the total value of products—the $29,300,000,000 paid to workers, as shown above, would be approximately 84 percent of the goods and services they produced.

VI. THE INCREASED COST CANNOT BE MET BY INCREASED PRODUCTIVITY PER WORKER

Some of the proponents of the bill have argued that if the 30-hour bill becomes law, management will contrive in some manner forthwith to increase productivity so that the worker will produce as much in 30 hours as he now does in 40 hours.

Such a result would, of course, defeat the object of the act—to increase employment. On this theory all that would happen would be that the same amount of goods would be produced by the same number of men working a shorter week. Every employer knows that this is an impossibility.

It is true that by reason of automatic machinery and improved methods of production by which the per-capita productivity of workers has increased, there has been an irregular but progressive decline in working hours during the past century.

But those decreases in working hours followed, not preceded, the increases in per-capita productivity. And they occurred very slowly and in an orderly fashion as different industries became able to accept them. They were not forced upon industry in the midst of a depression, by Government fiat. The 10-hour day came into general use about the time of the Civil War after 30 years of discussion. The 8-hour day was introduced only gradually during the 70 years after the Civil War. Many important industries had not adopted it at the time of the World War. The average work week for factories in 1929 was still approximately 50 hours.

In 1933 the N. R. A., as an emergency measure, shortened the standard workweek from 50 to 40 hours. Since that time there has been no general increase in per-capita productivity that would justify any further decrease in hours. The time has been too short to invent and introduce new labor-saving machinery, and industry would not have had the money to introduce such ma-

[1] Of this amount compensation for injuries and pensions represent $900,000,000.
[2] Against which should be charged operating losses of $4.000,000,000 and large but unknown capital losses.
[3] Rents also represent labor in part.

chinery if it had been invented. Many industries are of such a nature that no substantial increase in labor-saving devices can be hoped for.

Such increase in man-hour productivity as has taken place since the depression is largely due to—

(1) The concentration of production in the most efficient plants or machines, the less efficient units being shut down;

(2) The use of the most efficient employees—the less efficient and substandard being laid off;

(3) Stricter attention to their work by those who are employed—for fear of becoming unemployed.

The 30-hour bill would reverse the effect of every one of these three factors. It would force the less efficient factories' machinery back into use. It would reemploy the less efficient workers. And by assuring even inefficient workers jobs it would lower the morale.

And insofar as per-capita productivity might be increased by new labor-saving machinery, it would produce technological unemployment and defeat the very object of the act.

VII. THE BILL WOULD PROMOTE STRIKES

We wish to draw attention to a further point, namely, the manner in which it is contemplated that wages will be increased. No direct provision is made in this respect, the bill relying on the collective-bargaining provisions of the act to achieve the result by indirection.

The proponents of the bill rely upon the striking power of labor to force the increase.

It needs very little experience to foresee what will happen as a result. Some manufacturers will have to shorten hours and also raise wages. Others will shorten hours but will be able to avoid a wage increase. Still others will try not to change either wages or hours because they do a purely intrastate business and will not be required to make any changes under this act.

The result will inevitably be wide-spread strikes, general labor unrest, and loss of business confidence, which will retard rather than promote recovery.

VIII. THE RECOVERY WHICH IS BEGINNING UNDER THE CODES AND UNDER THE PUBLIC WORKS PROGRAM SHOULD NOT BE BROKEN DOWN

We have no doubt that the proponents of this bill sincerely desire to promote recovery. It is the equally sincere conviction of the consumers' goods industries committee that this bill will not promote recovery; that it will completely disrupt industry and will injury rather than aid the interests of labor.

You cannot promote the interests of labor by destroying industry and prolonging the depression.

This committee has actively and sincerely cooperated with the administration in all those measures which have sought to check the descending spiral of the depression and to restore stability.

This measure would destroy such stability as has been attained. It would defeat and nullify all the other measures which the administration has taken in its war upon the depression.

The normal method by which recovery is brought about after a depression is by restoring confidence through the reasonable prospect of profits. It is this—and this alone—which leads men to embark on new ventures and to make repairs, renewals, and extensions of their facilities in the expectation that another upward spiral will commence and that business will gradually return to normal.

It is this—together with the Government's Public Works program—which is calculated to revive the durable-goods industries which are the key to the whole unemployment situation.

We believe that this process of recovery has already begun and that it will probably continue unless it is checked by unwise and drastic action, which would destroy confidence and precipitate another period of financial chaos. Industry has already decreased hours from a standard 50-hour week to a standard 40-hour week. It has already increased wages to a very large extent—both hourly and weekly. We believe that it has gone as far as it can go in this regard at the present time.

Many sincere men believe that the increase in costs which the labor provisions under the N. R. A. have already entailed have retarded instead of

speeded recovery. That damage—if indeed there was such damage—has now spent its force. Recovery has begun. Industry, labor, and the public have accustomed themselves to the adjustments the codes required.

What industry needs now is a period as free as possible from new disturbances of major importance.

Stabilization is being accomplished under the codes. Give us a breathing spell! Let us collect our strength without letting loose new and destructive forces to undo everything what has been done!

Respectfully submitted.

THE CONSUMERS GOODS INDUSTRIES COMMITTEE.

STATEMENT OF W. A. COVENTRY, PRESIDENT TOY MANUFACTURERS OF THE U. S. A., INC.

The experiences of this industry during the past 18 months have convinced it that a further reduction in hours would defeat the very purpose for which such reduction is intended, namely, to aid in business recovery. Any attempt to raise wages or shorten hours faster than business increases will support such wages tends to retard physical production and thus to decrease pay rolls, decrease purchasing power, and increase unemployment, as has been convincingly demonstrated during the past year in this industry.

This industry in the past 18 months has decreased working hours drastically, from 20 percent to 25 percent, and has increased wages by 28 percent. Such a reduction in hours and an increase in wage rates over so short a period naturally has not yet been absorbed, and any further reduction at this time could not possibly be absorbed by the industry.

A survey recently taken of the industry indicates that a large percentage of the 600 code participants have either already introduced during the past year labor-saving devices or are seriously studying the possibilities of further mechanizing their business.

It is obvious that a further shortening of hours would greatly increase the amount of labor-saving devices introduced into this industry and thus decrease employment rather than increase it. The experience of manufacturers in this industry definitely proves that you cannot get the purchasing power from a 30-hour week that could be gotten from a 40- to 50-hour week and, obviously, purchasing power is a basic requirement for business recovery.

In behalf of the 600 members of the toy and playthings industry, therefore, I respectfully urge you and your committee vigorously to oppose the Black-Connery bill and any other legislation which would tend further to shorten the hours of work.

STATEMENT OF ROBERT WEST, DANVILLE, VA., REPRESENTING THE COTTON TEXTILE CODE AUTHORITY

Senator HATCH. Mr. West is the next witness.

You may state your name and the industry you represent.

Mr. WEST. My name is Robert West. I am a member of the Cotton Textile Code Authority, and am president of the Riverside & Dan River Cotton Mills, located in Danville, Va. My statement is made in behalf of the cotton textile industry. May I justify my encroachment upon your time by a few preliminary observations of fact?

The cotton textile industry was the first industry to lend its aid to the method which the administration chose to deal with the problem of reemployment. This assistance was given by agreeing to a maximum of 40 hours per week in a code of fair competition, which became effective on July 17, 1933, this involving a reduction from an average maximum of about 54 hours a week. Wide-spread efforts were made in the industry to reemploy those who had lost employment due to the low estate to which the demand for cotton goods had fallen. As a result of its efforts, it has succeeded in raising the number employed in the industry to substantially the levels which obtained during the year 1929, or an average of about 425,000. That is to say, the actions of the cotton textile industry indicate its interest in, and its intention to cope with, the problem of unemployment within its own borders. Furthermore, the cotton textile industry is fully aware of its dependence upon the conditions existing in other industries.

In 1927, the last year prior to the recovery measure in which the industry generally was able to earn any return whatever on its investment, the demand was such that the per capita production of cotton textiles in this country was 71.7 square yards. In 1930 this production was 50.1 square yards; in 1932, 48.9 square yards; in 1933, 61.2 square yards; and for 1934 it is estimated to have been 55 square yards per capita. This decrease in per capital production of cotton textiles, amounting to 23 percent, indicates that the burdens of the cotton textile industry are due in large measure to the lack of buying on the part of the American people. Consequently, the assistance of this industry can be counted upon in any endeavor likely to succeed in stimulating purchasing power. This industry is dependent upon the buying power arising from wage earners and farmers. We manufacture necessities, not luxuries.

In addition to this, may I call your attention to the fact that my personal interest in this problem of unemployment is evidenced by the fact that the company with which I have the honor to be associated, has, since January 1933, added 3,600 workers to its rolls. This company now employs regularly 7,700 people, which is 2,200 more than hitherto had been employed at any time. This fact is given purely to establish my bona fides in the matter. Sometimes the impression is given that the problem of reemployment does not receive sympathetic consideration at the hands of industrial management. This is far from the truth. My opposition to this bill is due, not to lack of appreciation of the tremendous necessity of providing employment, it is due to a well grounded belief that the inflexible and arbitrary provision for a maximum 6-hour day and a maximum 30-hour week permitted to be worked, is not the answer to the problem of unemployment, and if made a law, will quite likely work incalculable harm to those already engaged in gainful occupation, with very little, if any, compensation advantage to the unemployed.

The purpose of the Senate bill 87, the so-called "Black 30-hour bill", is, as stated in the preamble, "to put idle machines and people to work." For the purposes of this discussion I shall confine myself to the effect of the bill upon people, leaving the question of machines as of secondary importance. Machines do not need food but people do. It seems necessary that the problem of "idle people" should be analyzed.

The experience of a year or more under the almost universal 40-hour week in manufacturing industries enables us to deal with the problem of the remaining unemployment in a more realistic fashion than has been possible hitherto. The "simple process of arithmetic" method, up to now in widespread use, can be discarded in favor of the consideration of the actualities of the situation as evidenced by statistics at our command. Statistics will not feed, clothe, or shelter the unemployed, but they may lead us to sound

conclusions, and they may save us from experimentation at the expense of those now employed. Who the unemployed are, the matter of their experience and skill, and where they are located, are now matters of record rather than surmise. Let us examine a specific case of an actual situation involving employment opportunities and unemployed people. I have here an analysis of the applicants for work with the United States Employment Service in district no. 6, of Virginia. This district comprises the cities and counties from which several manufacturing concerns, among which is my own, draw their labor.

Applicants for employment, as listed by the United States Employment Service, District No. 6, State of Virginia

	Service workers	Construction workers	Agricultural workers	Leaf-tobacco workers	Textile workers	Miscellaneous workers	Total workers
City of Danville	99	165	37	104	30	168	603
Pittsylvania County	11	108	265	2	4	30	420
Halifax County	2	89	43	37	----------	20	195
Henry County	25	104	43	7	14	65	258
Nottoway County	8	107	122	----------	----------	47	284
Mecklenburg County	2	132	168	12	----------	24	338
Charlotte County	----------	69	120	----------	----------	12	201
Lunenburg County	----------	74	114	----------	----------	13	201
Total	147	848	916	162	48	379	2,500
Percentage	5.88	33.92	36.64	6.48	1.92	15.16	100

Analysis of those listed as "miscellaneous workers"

Office workers	35
(Section hands) railroad workers	35
Sales	32
Teamsters	45
Truck drivers	97
Stationary firemen	12
Others	123
Total workers	379
Unclassified	44
No work history	18
Furniture workers	14
Total	76

Senator AUSTIN. What period of time does that cover?

Mr. WEST. That was as of February 1. It is a list of applications for employment submitted to the United States Employment Service Bureau, district no. 6, of Virginia?

Senator AUSTIN. Do you mean on any one day, or covering the year?

Mr. WEST. That was at some particular time, sir.

Senator AUSTIN. That is what the record shows, that they had on file that number of applications that were not filled on that date?

Mr. WEST. Yes, sir.

Senator HATCH. That was in February of this year?

Mr. WEST. That was in February of this year, showing a total of 2,500 in my State.

Even if more jobs were created in manufacturing industries in the area covered by this study, it would make no material difference in the opportunity for those unemployed to obtain work. A candid study indicates that relief will not be afforded by the character of industrial jobs which might be created by a shorter maximum workweek. Unemployment farmers are listed as over 36 percent of this group of unemployed. They must be taken care of by the agricultural program to which industry and consumers are contributing heavily by the payment of processing taxes. In like manner, the manufacturing industries have little to offer directly to those employees normally attached to the construction industry, who now lack employment. It is to be noted that in an area that employs more than 10,000 textile workers there are only 48 listed applicants claiming to have had textile experience.

This illustration is given solely as an example of an actual situation in a given geographical area. It is not to be considered that such an isolated example can serve as a basis to give the whole answer to the problem of unemployment.

I am fully aware of the dangers of overvaluing specific examples in developing this argument, but it is valuable to note that a comparable situation prevails not only in a given geographical area, but also in the general industrial aspects of the problem. It has been fully established that the 11,000,000 workers said to be unemployed are not divided over the various industries with sufficient equality to assume that a further uniform reduction in the maximum hours permitted to be worked in the manufacturing industries would materially increase their opportunity for employment.

I have no intention of burdening your time with a repetition of the argument outlining the economic futility of endeavoring to promote industrial recovery or materially aid the cause of reemployment by a uniform reduction in the hours permitted to be worked in industries. Without doubt, you are more familiar with those arguments than I. They have been summarized with extraordinary thoroughness. Statisticians vouch for their accuracy and economists for their validity. Consideration of this bill is prompted by the desire to help the 11,000,000 people said to be still unemployed. It may be fairly said that it would be little more than a gesture and would, as a matter of fact, have a harmful rather than helpful effect. There are no administrative provisions in the bill.

The varying basic needs of manufacturing goods in this country are recognized only by a vague provision for exemptions, subject to all of the delay and confusion of having local affairs administered by a department in Washington. The desire to make this gesture takes root, no doubt, in the hope that the reduction from 40 to 30 hours per week may result in the reemployment of approximately 7,000,000 to 9,000,000 people. This expectation is embodied in the many strong statements which have been issued that legislative enactment, placing a maximum of 30 hours per week on industrial labor, is the sine quo non of reemploying the unemployed. At best, this is the vague hope, and it is a clear example of a wish being father to the thought.

There is certainly nothing in the character of the business as covered by the bill which can lead to any such conclusion. The min-

ing and quarrying industries, for instance, are included within the scope of this bill. At the present time they average approximately 30 hours per week, so a legal maximum of 30 hours will not produce reemployment in this instance. Yet it is to be observed the index of employment, as 100, varies from 42 percent to 78 percent, indicating that in these industries lies one of the great pools of unemployment. It is quite evident that the adoption of 30 hours per week permitted to be worked in the mining and quarrying industries means nothing more than a raising of the hourly rate and has no bearing on the problem of reemployment. What of the building trades? Therein lie vast numbers of unemployed. What of agricultural workers? Relief rolls in industrial districts are overflowing with those who have come from the farms vainly seeking employment. Here are two great groups of people whose lack of employment is due to considerations wholly apart from anything having to do with hours per week.

The bill misses the mark. It does not grapple with the main problem. The bill advances the expectation that the manufacturing industries can be so arranged as to weave with plowshares and spin with a trowel. Basically, the bill proposes to penalize 6,500,000 wage earners in the manufacturing industries for the possibility of reemploying the 700,000 during the hours given up by the 6,500,000. The main problem of reemployment involves the construction trades, agricultural workers, service trades, and those engaged in the manufacturing of capital equipment. The opportunity for these people to become reemployed does not arise from shorter hours in manufacturing industries. Their opportunity comes from the revival in building operations, the stimulation of exports of our raw materials, and the purchase of new manufacturing equipment, all of which would be impeded rather than promoted by these new burdens on the manufacturing industries.

It is worthy of consideration, also, that there is nothing in this bill to encourage manufacturing establishments to reach out for additional employees. The bill necessitates an increase in labor costs of 33⅓ percent, which must be passed on to the consuming public since no earnings have been available to absorb this increase in costs. Furthermore, the bill necessitates a singularly futile increase in costs because those who cause this increase do not receive an increase in their own income. Those industries which now employ substantially at the 1929 level and which, it is hoped, would be able to take on new employees would be faced with the additional problem of training, an expense which would have to be added to their prices.

It cannot be gainsaid that there would likely be a momentary rise in volume of sales and as a consequence volume of employment, due entirely to the desire of customers to stock up on goods at prices which could not be duplicated under the 30-hour maximum operation, but that speculative fever having abated, what would there be to encourage a manufacturer to increase his employment, or even maintain it. There is no need to speculate on this point. The cotton textile industry offers an object lesson.

This industry, as pointed out above, has succeeded in reestablishment of its 1929 level of employment, but there exists a desperate battle to keep in employment even those who are now employed.

It would be fantastic to attempt to cram into this industry additional employees. The bearing of increased costs on this problem must not be ignored. Permit me to recite again an actual experience of the cotton textile industry. The cotton textile code reduced weekly hours that ranged from 48 to 60 to a maximum of 40. The wage provisions of the code increased the industry's actual wage bill during the first code year by $105,000,000. Average hourly earnings increased 69 percent in the first month of the code over March 1933, and have since gradually increased to 78 percent higher than the March 1933 figures. This increase in hourly rates resulted in an increased labor cost of approximately 80 percent. This is but one of the numerous increases of cost which the cotton textile industry has had to pass on to the consuming public and which directly bears on the question of employment, because unless the consuming public absorbs these costs in higher prices, volume is cut down with consequent reduction in employment. The price of our raw material, the largest single element of cost, has risen approximately 107 percent above its low point early in 1933.

Two weeks after the code took effect, this industry became subjected to the processing tax of 4.2 cents per pound of cotton. This meant a payment during the first year for floor stock and processing tax of $145,000,000, an amount equal to nearly half of the wage bill of the industry. The combination of these increased costs has raised cotton goods prices from considerably below parity with those of other commodities on the domestic market to above parity.

Furthermore, the material increase in costs due to this large increase in hourly rates has contributed to the serious decline in the export business of cotton textiles. That business, which should give work to about 35,000 employees, has been reduced to more than half, thus diminishing the possibilities of the industry for giving employment.

These rising costs have opened the gates to imports of cotton goods available at prices which stagger a domestic manufacturer now accustomed to look at cost sheets reflecting these measures adopted for recovery.

It is no wonder, therefore, that we have experienced a decrease in the consumption of raw cotton by domestic manufacturers during the past year. This reduction in consumption immediately involves a decrease in opportunity for employment.

Now, a further increase of 33⅓ percent in hourly rates, pyramided as it would be bound to be, as a practical matter, in the wholesale and retail markets, would increase consumer resistance and would in all probability be the finishing touch to our export trade and to our efforts to regain that trade. Such a step would bring the labor cost of processing a pound of cotton from 5.9 cents in the pre-code period up to 14.1 cents a pound, or 140 percent above the pre-code perid. Add the processing tax and labor and tax together would be 18.3 cents a pound. A further contraction in our markets, resulting from these increased costs, would tend to prevent the increase in employment which it would be the object of this bill to bring about.

A candid consideration of the provisions of this bill and their probable effect on employment and unemployment therefore leads

one to the conclusion that after all, this is not a bill to relieve unemployment to any great extent, but rather a bill which will result in decreasing production and limiting the individual workman's capacity to earn. This is accomplished because of the inflexible maximum of 30 hours per week and 6 hours per day. The averaging of hours actually worked, the averaging of those gainfully employed, and the averaging the potential opportunity for employment involved in the theory underlying this bill, serve to confuse the issue.

The bill as written puts a rigid maximum on the hours permitted to be worked in any one day and in any one week regardless of the character of the manufacturing enterprise, the nature of its product, or the availability of the proper type of labor necessary for continuing production. It permits no averaging; it offers no leeway to care for the many fluctuations and demands upon business enterprises. Owing to its inflexible features, its attempt at uniform application and its increase of manufacturing costs, the ultimate effect must be inevitably to restrict the opportunity for employment.

Having dealt with the possibilities of this bill in regard to the reemployment of the unemployed, let us turn our attention to the interests of those who are at present employed. The workers who have jobs at present are entitled to thorough consideration before further handicaps are put upon their opportunity to obtain a greater income. For a year and a half now the interests of those who have had employment have been sacrified to make jobs for the unemployed. Those employed have shared the available work. They have had to accept shorter working time in dull seasons without the possibility of being able to make it up in active seasons. They have given up opportunity to earn a little extra income on outside jobs. While code limitations on the individual worker's enterprise and ability to increase his earnings has meant work for others; it has also meant a sacrifice on the part of the employed worker.

The net effect of the efforts of Government industry, labor, and agriculture for shorter hours, higher hourly rates, and curtailment in production of foodstuffs is making itself manifest in the form of rising prices of what the workman has to buy. This proposal to further reduce the maximum hours permitted to be worked means higher costs and prices with no increase in the ability to pay. To be sure, it is proposed that the further reduction in maximum hours permitted to be worked be made with no loss in pay, but it is quite evident that this would not meet the increased costs of living occasioned by this general measure. While it is the hourly rate that determines cost of manufacturing, it is the weekly pay envelop which pays the butcher and the grocery man, but the value to the worker of that pay envelop is dependent on the prices he has to pay. The current proposal for the shorter work week forestalls the opportunity of providing the necessary income because it raises costs without providing a compensating increase in income to meet the rising prices occasioned. The terms of this bill turn out to be a sort of left-handed method of inflation which places the worker between the mill-stones of rising prices and insufficient income. It accelerates the necessity of expenditure and deprives him of his opportunity to earn more.

This fact is illustrated by the very simple chart enclosed herewith. The chart has to do with the further effect of the 30-hour bill on

manufacturing costs of two articles bought by practically all workmen. It indicates a probable total increase of cost over precode conditions in the manufacture of bed sheets of 65 percent and in the manufacture of work-shirt chambrays, of 69 percent. It indicates that the cost of living will be increased 24 percent. What of the worker? The N. I. R. A. reports that workers' earnings have increased 8½ percent since codes went into effect. This is to be set up against a probable 24-percent increase in the cost of living. Thus it can be seen that the sure consequences of the provisions of this bill are to raise costs and prices and put wage earners at an ever-increasing disadvantage.

There is a rising remonstrance on the part of wage earners at arbitrary measures which restrict their ability to cope with the rising costs of living. Every proposal seems destined to raise the price of what the worker has to buy, at the same time fettering his opportunity to increase his income. This fetish of continually raising the hourly pay but proportionately shortening the hours permitted to be worked hypnotizes our thinking, but it leads to bankruptcy. It shackles labor to a perpetual handicap in its efforts to increase its real income. Ever-increasing costs, ever-increasing prices, with no compensating increase in the opportunity to earn more, must be stopped. This bill will not stop it. The bill will aggravate the difficulty.

Senator HATCH. Thank you, Mr. West.

STATEMENT OF A. J. HETTINGER, JR., REPRESENTING THE DURABLE GOODS INDUSTRIES COMMITTEE

Senator HATCH. You may state your name and whom you represent.

Mr. HETTINGER. My name is A. J. Hettinger, Jr., and I am appearing before you in my official capacity as executive secretary of the durable goods industry committee, to express the firm conviction of that committee that the enactment of Senate bill 87, the so-called "Black 30-hour bill", is against the best interests of the people of the United States. The only personal note that will be contained in this statement is that were it not also my own profound conviction, I should not be uttering these words, regardless of any position taken by that committee.

Any decent citizen must concur with the essential statements of facts in the preamble of that bill:

> Commerce has been and is now burdened by a patent and continued idleness of workers as well as the mechanical appliances and implements of production.
>
> This continued idleness of men and machines renders it necessary to feed and support more than 18 million people, and it is unjust both to those who work and those who cannot obtain work.
>
> Commerce and trade can best be revived and the comfort and happiness of the people can best be produced by an economic readjustment that supplies people with jobs with wages, rather than charity without jobs.
>
> Private business has not been able and is not now able to give jobs to those who need them.
>
> Business chaos, bankruptcies, insolvencies, misery, destitution, and want did result, and deprived the American people of the incalculable advantages and benefits of the abundance of goods, commodities, and services idle machines and idle people could have produced if put to work.

To these words of the bill there is one criticism that must be made; the scriptural "the half has not been told."

The purpose of the bill commands the complete concurrence not merely of our committee but of the country.

Its words are:

To provide a fairer and more nearly balanced income; to put idle machines and people to work; to increase the purchasing power of the people and thereby stimulate production to capacity; to revive languishing commerce and trade; and to promote the happiness and comfort of the people.

If this bill will achieve, or materially further the achievement of those objectives, the Congress can have no duty to the Nation greater than its prompt enactment. And no group of labor and no group of companies could experience gains that were more than a mere fraction of those that would be achieved by the durable-goods industries and the service industries whose employment and well-being depends upon the rate of activity in the production of durable goods.

This depression, now entering its sixth year, has become a durable-goods depression. The production of consumers' goods is 11 percent below that of 1929; but the output of durable goods, in spite of the outpouring of Public Works Administration expenditures by the billion, remains 47½ percent below the predepression totals. Furthermore, even this total rests upon a precarious base. The Public Works Administration began to function in July of 1933. Since that date reduction in unemployment in durable-goods industries through November of 1934 totaled 666,000. The Bureau of Labor Statistics figures, through October, credit 643,000 of that reduction to what can be termed "essentially direct Public Works activities." Take away Public Works expenditures, and the net reduction in unemployment in the durable-goods industries is 23,000. I wish that it were possible to bring all of these figures down to the status as of this afternoon. That cannot be done. The results would be moderately better than those quoted. Vary these figures by any amount within the bounds of reason, whether by a hundred thousand or half a million, and that latter figure is patently excessive—nothing that any honest man can do will shake by one iota that fact that this is a durable-goods depression.

Unemployment in the United States as of November is estimated by Col. Leonard P. Ayres at 10,845,000.

Put back to work every man normally employed in the consumers' goods industries and you have reduced that depressing total by 1,385,000. One man out of every eight idle men has again found his pay envelop.

Put back to work every man normally employed in the service industries and you have reduced unemployment by an additional 4,586,000; a little better than 3 idle men out of every 8 know that 1 of the 7 days in the week is pay day.

Put back to work those men who have produced the durable goods of this Nation and you have done more than reemploy the 4,874,000 jobless men who constitute the largest group of the idle. You have started to restore the ravages of the depression, and to rebuild America.

The service industries serve. Greatest among them are the railroads. And the railroads are starving for the tonnage which only the durable goods industries can give in volume. The railroad crisis has become substantially a durable-goods crisis. Annual freight revenues derived from but four groups of durable goods: Metals, ores, lumber, and its products, and stone, sand, and similar products, have declined during the depression according to the latest figures available $882,000,000, or 60 percent. Restore two-thirds of the ground lost by the durable goods industries, and you will no longer have two-thirds of a million railroad men who have lost their jobs during the depression. More than that, there will have been generated such an upward spiral of business momentum that unemployment in the service industries as a whole will melt away.

Then, and not until then, will you replace the 18,000,000 people whom this bill truly cites as being fed and clothed by the Government, men whose pay envelops provide that purchasing power above an existence level that is indispensible to the reemployment of the 1,385,000 idle men no longer needed by the consumers' goods industries because there is no one to buy their products.

President Roosevelt is right in flinging out the challenge that he will never accept the defeatist doctrine that we must have or shall have an army of millions of permanently unemployed in these United States of ours. The route to reemployment runs from the durable goods industries through the service industries to the consumers' goods industries.

The simple question with which we are confronted is whether this bill, introduced by Mr. Black in the Senate of the United States on January 4, 1935, will achieve, or materially achieve, the objectives enumerated in it. Those objectives have already been stated in some detail. It seems not unfair to summarize them as being, in the very language of the bill, "the incalculable advantages and benefits of the abundance of goods, commodities, and services idle machines and idle people could have produced if put to work." If this means anything, it means that a depression economy of scarcity must give way to a national economy based on plenty. It demands an increase in goods and services produced which alone can create a standard of living more nearly compatible with the natural resources of the country and the ability and genius of the American workingman and business man—in short, the attainment of what the President has so often characterized as a "more abundant life."

Stripped of the legal phraseology necessarily and properly employed in the draft of the bill, this wholly admirable goal is to be achieved by still further shortening the working week to not "more than 5 days in any week or more than 6 hours in any day." It is a 30-hour-week bill.

There is the proviso that "upon proper submission of satisfactory proof of the existence of special conditions in any industry", exemptions may be granted.

Furthermore—

It shall be unlawful for any employer * * * to reduce, directly or indirectly, the daily, weekly, or monthly wage rate in effect * * * until a reasonable opportunity has been afforded to his employees, through representatives of their own choosing by a majority vote, to meet with the employer or his representatives and to discuss and consider all questions which may arise in connection with the reduction of such wage rate.

Increased national well-being, as the bill states with admirable clarity, is sought by shortening the industrial working week to 30

hours, maintaining the integrity of the pay envelop, and materially increasing wage rates for the industrial workers of the country. These industrial workers would, during a period of prosperity, constitute slightly less than one-third of all those gainfully employed; the proportion would be moderately less as of today. The cost of goods produced by about one-third of all workers, and consumed by the country at large, including the other two-thirds of the workers, would be materially increased. Furthermore, since the proportion of labor costs to total costs varies from company to company, and from industry to industry, the whole structure of competitive commodity prices would be thrown into disequilibrium, necessitating an indeterminate period of readjustment in which recovery would be retarded.

Since small companies, especially those in the smaller communities, are in general less highly mechanized, they would feel, to an even greater extent than their larger competitors, the impact of sharply advancing labor costs. If the Congress is seeking a method of increasing the difficulties of these small companies and one that must, even in minor degree, tend toward monopoly, this measure provides it with such a vehicle.

The two provisions in the bill, intended to insure a measure of flexibility, must be passed over with but momentary comment. If this analysis were confined to them alone it would require more time than I have at my disposal.

1. The rigidity of the 30-hour work week will be alleviated "upon the submission of satisfactory proof of the existence of special conditions in any industry making it necessary for certain persons to be employed" over a longer period. The avowed adoption of the 30-hour-week philosophy throws emphasis on the words "special conditions in any industry." If decisions are to be made on the basis of industries, there is utterly no flexibility for the individual company. It may be mentioned, parenthetically, that here again the chief sufferers will be the small companies. The experiences of the N. R. A. indicate the extreme difficulty, even granting the most sincere effort, of administering detailed regulations concerning many hundreds of industries and scores of thousands of companies from the third and fourth floors of the Commerce Building in Washington. This bill would compound bureaucracy upon bureaucracy.

2. It would be difficult for the ingenuity of man to write a section more likely to create labor wars over the whole front of American industry during a critical period in which it is hoped we are gradually emerging from the depression than the provision which would in actual practice force substantially every employer to endeavor to negotiate new wage settlements with his employees, except in the unlikely event that he felt his competitive markets would absorb the materially higher unit labor costs sought by the bill. And every employee who did not insist on retaining the materially higher wage rates contemplated by the bill as an offset to the shortened working week he was permitted to work, would be making a double sacrifice—accepting a smaller pay envelop, each dollar of which suffered in purchasing power due to an inevitably rising cost of living. N. R. A. codes may conceivably protect the level of minimum wages, but the impact of higher costs would tend irresistably to drag wage rates above the minimum down toward

the minimum. A legal statute cannot provide protection against the working of inexorable economic laws. Goods must be produced at a price at which they can be sold, and two-thirds of the consumers of the country will have no higher incomes than before, regardless of the theoretical reemployment contemplated by this act among the other third.

The net result of these two so-called "elements of flexibility" would be to add strike compounded upon strike, to bureaucracy compounded upon bureaucracy. Yet, even these results are trivial compared with the broader economic implications of the measure.

The real indictment of this 30-hour bill is equally strong, whether based on social or economic consequences. It would freeze the depression at present levels, if not make it worse. It would wrench, if not wreck, the hard-won progress toward gradual restoration of equilibriums in the commodity price structure, create innumerable interindustry difficulties, result in complications interrupting the smooth flow of products from one stage of production to another, reduce the volume of production, the real income of the Nation, and the standard of living of its population. This bill, if enacted, would ask the farmer, who finds it difficult to make a living on 60 hours of work a week, to support the industrial worker on 30 hours a week. Furthermore, it would ask the man on the farm, who has not yet achieved price parity for the goods he produces, to pay materially higher prices for the industrial products he purchases; it would render the task confronting the A. A. A. little short of impossible. Speaking with extreme moderation, higher-cost industrial products would with difficulty retain the position in the export markets that is still theirs, and our domestic markets would be subjected to increased competition from foreign-made goods enjoying an appreciably greater differential in labor costs than before the enactment of this bill; certainly the interplay of these factors would not make for increased employment. The so-called "white-collar classes" would bear the burden of higher costs of living without even theoretical protection.

(At this point Senator Neely entered the room and presided during the remainder of the session.)

Written throughout the bill, though never specifically stated, is the blunt tacit assumption that labor is a tangible, inanimate commodity, interchangeable as spare parts in a bank of machines, and capable of being shipped at commodity rates from one part of the country to another. This is a cruel and unreal assumption. Unless this bill, by some process of alchemy not yet known to man, can transform the idle freight-car builder from New York State into a skilled operative in a rayon plant in Tennessee, the worker in a cast iron pipe factory in Birmingham into a machinist in Cincinnati, or a sawmill operative into a chemical worker on the Atlantic seaboard, it fails in even the vital phase of the mere mechanics of reemployment. Social responsibility must recognize that families, not merely heads of families, are involved. Labor is not a commodity transferable either geographically or industrially, with the perfect abandon clearly implied in this bill. If we were to look beyond our own shores we would find that the stubbornness of that fact was discovered long ago.

Reductions in hours and increases in real income which constitute higher standards of living are evolutionary, rather than revolutionary processes. New inventions, greater utilization of electric power, improved industrial processes, increased labor efficiency, and better management afford three alternatives:

First. The production of more goods with a given amount of labor—a higher material standard of living.

Second. The production of the same amount of goods with less labor—a greater degree of leisure.

Third. A combination of a somewhat higher material standard of living and a somewhat greater degree of leisure.

In practice the last of these has been the American tradition. During the period from 1900 to 1929 the country increased its per capita production approximately 40 percent and at the same time decreased its working week about 13 percent. The automobile, radio, and telephone became commonplaces to the American home. If this bill is enacted, the reduction of 40 percent in the working week since 1929 will be three times as great as that which occurred during the period 1900 to 1929, a reduction entirely out of line with the estimate of the Brookings Institution under date of January 3, 1935, that "the average increase in productivity in American economic life as a whole (since the beginning of the depression) would appear to be less than 10 percent." The simple consequence would be to render it impossible to regain a standard of living equal to that enjoyed by the country before 1929.

It might be added that anyone familiar with the difficulties of scheduling industrial operations, due to the irregular inflow of orders, special jobs, style factors, and seasonal influences, recognizes that the limitation of employment to not more than 5 days a week nor more than 6 hours in any day must in actual practice result in average work weeks the year around that would probably be as near 25 as 30 hours. Such a course would place not merely the unemployed but the country as a whole very nearly on a subsistence basis. It is defeatist in character, and the counsel of despair. To claim otherwise is to assume that wealth can be shared without the necessity of creating it.

Ours has already been a disorderly economic recovery, more erratic, chaotic, and unpredictable in its movements than that of any nation of commercial importance in the world. Sweeping advances, both in 1933 and 1934, were followed by confidence-wrecking, morale-testing declines. We have covered more ground, seen more action, and yet probably made less gain than the world as a whole. Industrial production in the United States, as measured by the Federal Reserve Board, increased but 4 percent from 1933 to 1934. Construction, the key durable-goods industry and increasingly the focal point of the Government's attack on the depression, in spite of the expenditures by the Public Works Administration, stands at but half its 1931 volume. Residential construction, whether measured in volume or in value, was lower in 1934 than during any previous year of the depression.

The remedy to unemployment is not the Black 30-hour bill, which would merely add a new series of dislocations. Reemployment must be created where unemployment exists—and that is chiefly in the durable-goods industries. Durable goods are long-term commitments, involving heavy initial capital expenditures which can be recouped only by income derived through a period of years. The essence of such commitments is confidence extending beyond the immediate future. Without such confidence, stagnation in these industries is inevitable. The Black 30-hour bill would intensify the stagnation that exists today. It would vitiate such gains in durable-goods employment and production as will restore industrial equilibrium. Restored industrial equilibrium is vital to widened markets for agricultural products, and the achievement of equilibrium between agriculture and industry. Thus runs the sequence of reemployment and recovery.

The position of these industries has already been stated to the Government. Their wage rates are already substantially at 1929 levels. Employment in durable-goods industries is possible only as their products can be sold. Such goods can be sold only on the basis of prices that will create demand; but demand for durable goods has been and can be deferred. The price the buyer will pay for a product, the purchase of which can be deferred, determines the maximum price the seller can obtain. Ability to defer demand constitutes ability to shop closely and place pressure on prices. These industries have lost a considerable part of their working capital through years of depression in which income failed to meet out-of-pocket expenses, let alone taxes, depreciation, or return on capital investment. The price at which their products can be sold determines the cost that they can incur.

I might say parenthetically that the philosophy that you can achieve prosperity through some process of consuming more and producing less, and return prices to the 1926 level, without any consideration of whether that tends to restore equilibrium or create disequilibrium, has been a thing that industry is bound to look back upon as nothing short of the retarding of every natural force of recovery.

Senator NEELY. Do you know what percentage of the labor of the heavy-goods industry is now unemployed?

Mr. HETTINGER. Mr. Chairman, in this country we have no labor statistics that will warrant an honest man's estimate. We have a sample that is carefully and honestly gathered by the Bureau of Labor Statistics, and the classifications between heavy industries and other industries are a matter of dispute. I think that fair approximation would be the fact that I mentioned earlier, that as of this date the production of durable goods, insofar as we can gage, is about 47½ percent less than in 1929, contrasted with 11 percent less for consumers' goods; that one of the key durable-goods industries is the construction industry; that in 1934 the volume of operation in the construction industry was about 32 percent of the 1923 to 1925 base period used by the Federal Reserve Board in making comparisons; that residential construction was one of the greatest avenues of employment; that with all the efforts the Government has so far made we are about one-half of that period figure, or actually less, whether measured in millions of feet of floor space or dollars involved, than in the 1932 depths of the depression or the 1933 depths of the depression.

Now, taking the premise of 47½-percent reduction in the volume of operations in that industry, and adding to that the fact that the

construction industry is operating at about one-third of its capacity, I don't believe that a man would be very far from the mark if he assumed it to be somewhere in the neighborhood of half the workers in the heavy industries employed. You would have an appreciable margin there on either side, but the situation is so bad that it matters little whether you add or remove 3 percent.

I would like to emphasize there the fact that those men will never be reemployed, other than over a long stretch of years by a major reorientation of our national economy, except so far as we can create the confidence that will cause a man who has a perfectly good machine from the point of view of physical obsolescence to replace that by something that will produce far more cheaply but will take several years to pay out. There are others in this country, and they are not few in number, who feel little confidence in our economic future.

Senator NEELY. I dislike to interrupt you, but you are not answering my question. I asked you to state the percentage of unemployed in the heavy-goods industry.

Mr. HETTINGER. I would say 50 percent.

Senator AUSTIN. I was very much interested in what you were saying. Will you continue?

Senator NEELY. There is no objection to his continuing. But I wanted him to answer my question.

Senator HATCH. I believe he did answer the question and said 50 percent.

Mr. HETTINGER. Fifty percent plus or minus would indicate the information which an honest man would be justified in stating.

Senator NEELY. Proceed.

Mr. HETTINGER. There are a good many industrial concerns that have the opportunity to spend money for labor-saving machinery that would pay out over a sufficiently short period of time so that under normal conditions that money would be spent. It is not being spent. You are beginning to have an opportunity for a major revival in the construction industry; but our construction costs are out of line with the commodity price level and out of line with the national income of this country. As long as those costs remain so much higher than the prices at which you can buy property, no legislation that Congress can enact, and no effort, no matter how sincere or able in its administration, that Congress may establish, can bring that revival which is warranted by the fact that we have billions of dollars of idle capital, millions of idle men, and an obsolescence in the physical plants of our country.

There are factories and large enterprises in this country that will support and can support a major revival, if that revival is based upon restoring the equilibrium rather than forces emphasizing and reemphasizing the lifting of prices, lifting of costs, which cannot be done any more than an artificial thermometer with a match under it will raise the mercury in the tube.

Present costs which have failed to move goods and to create employment must be reduced to levels that will move goods and provide employment. To that end industry is devoting its every effort. The 30-hour week simply will not provide labor in these industries with a decent living wage, and permit costs and prices at which buyers will purchase their products—it is the one sure way to achieve continued depression.

The durable-goods industries committee, whose statement this is, was created at the express request of the United States Government. Gen. Hugh S. Johnson, administrator for industrial recovery, in his closing address to the conference of code authorities and code committees on March 7, 1934, requested the durable-goods industries to elect a committee whose task would be "to work with the administration, not merely with the N. R. A., and to report to the President shortly on how we can create jobs in some way other than any yet suggested." Specifically he asked: "How are we going to make jobs by production and consumption, which is the only way to make them in the last analysis? How are we going to activate the capital-goods industries? What more can we do than we have done?"

That committee reported to the President of the United States on national recovery and employment under date of May 14, 1934. The detailed report it submitted to the President is a matter of record, and we believe it stood the test of time. I desire in closing merely to quote the conclusions, each of which carried with it substantial supporting evidence that the durable-goods industries, with their vast stagnant pool of unemployment, constitute at once the heart of the depression and the road to recovery. It is recognized that conditions have changed during the 9 months that have intervened, but the essentials of reemployment and recovery will still hold. Some, but not all, of these essentials have been achieved Our hope lies in continued progress:

1. Consideration of the present economic and social problems must be in the following sequence: First, relief; second, recovery; and third, reform.

2. Of the unemployed, nearly 5,000,000 are from the durable-goods industries, and half of these were employed normally in the construction industry.

3. The key to the unemployment problem is to be found in the stimulation of the construction and other durable-goods industries, which will create, in turn, opportunities for employment in the service and consumption-goods industries.

4. Reduction in maximum hours has already been created to or possibly beyond the economic limit in durable-goods industries under present conditions, and further reduction will not materially contribute to the reduction of unemployment.

5. The durable-goods industries, by reason of their present financial situation and the nature of their business, are unable to absorb additional employees or increased costs until the volume of sales of their products is expanded.

6. These industries cannot hope for a substantial increase in their sales volume until there is such a further restoration of confidence in the economic future as will encourage the use by private investors of the available supply of capital and credit.

7. Recovery will come when fundamental conditions promote rather than retard the purchase of durable goods.

8. Some of the fundamental conditions needed for recovery in durable-goods industries already exist. The lag in their revival indicates the absence of certain essential factors and the presence of certain definite interferences.

9. Chief among the fundamental conditions needed for recovery are:

(a) A free flow of private capital into private business.

(b) A sound real-estate-mortgage market.

(c) Industrial relations on a basis which will assure cooperation instead of strife.

(*d*) A balanced price parity between agricultural commodities and manufactured goods.

(*e*) The further reestablishment of confidence—most important of all.

10. Essential to the establishment of confidence are the following:

(*a*) Assurance to private enterprise that the profit incentive will continue to receive public approval as an energizing motive for economic activity.

(*b*) Public recognition that the only legitimate purpose of taxation is to provide the necessary revenue for government and not to effect a punitive redistribution of wealth which paralyzes business initiative or for any other purpose.

(*c*) Removal through a permanent balancing of the Budget of the threat of uncontrolled inflation.

(*d*) Removal of any remaining threat of a sudden and arbitrary change in our monetary policies.

(*e*) Assurance that companies which have adjusted their business methods and policies to the temporary emergency program of the N. R. A. will be free from the uncertainties of unreasonable or arbitrary administration.

(*f*) Clarification of the Government's policies toward measures and trends which are inconsistent with our economic system.

11. A survey of the possibilities for immediate employment shows that an immense need exists in a great diversity of fields for the products of the durable goods industries. Chief among these are the construction industry, including modernizing and new housing. In addition, a vast depreciation has occurred in the permanent equipment of the country. All of these potential demands are waiting upon the establishment of the needed favorable factors and upon the clearing up of the remaining unfavorable factors as enumerated in this report.

12. Long continued unemployment is essentially a social and not an industrial problem. Its solution through channels outside of industry will require the continued attention of the country for an indefinite period.

The Black 30-hour bill meets none of what we believe to be the essentials of reemployment and sound recovery.

I thank you for the privilege you have accorded the durable goods industries committee of making this statement.

Senator NEELY. Are there any questions?

Senator HATCH. I want to ask you a question similar to question I asked Mr. Tower, who preceded you. I asked him if there was any reasonable expectation of the steel industry absorbing the remaining unemployed in that industry. He answered that he thought there was a reasonable expectation. I observed that you apparently disagreed with that thought. What do you have to say about that?

Mr. HETTINGER. I should say simply this: It is dangerous to try to gage prospects in 1935. I am making my statement honestly and definitely, but with all the humility in the world, and hoping to Divine Providence that I am wrong.

First, I believe that we cannot have in this country in 1935, as a whole, a level of physical production as high as will be revealed by the Federal Reserve index for the month of January. We have had at least three disorderly advances, of almost cyclical proportions, since this administration has been in office. And I am stating this sympathetically as a Democrat, who will probably always be a Democrat. We had a disorderly recovery from March to July in 1933, and a heart-rending decline. We had a disorderly recovery in May of 1934, based upon inventory accumulations, and a disheartening decline.

I believe we are having the same thing today. In the automobile and steel and certain other lines we are having an accumulation of inventories that cannot be moved with the employment that exists. You cannot make a material inroad in that stagnant pool of unemployment until you reemploy men where that unemployment exists. The bulk of it is in the durable goods industry and in the collateral service industries. The shocking part there is the construction industry, and all the industries must bear a part of that blame, for which I am sorry; labor must bear part of that blame, and the Government must bear a part of that blame. There is still too wide a disparity between what it costs to buy and what it costs to build. The construction industry is not the only place where that occurs.

Therefore, believing that the January index of the Federal Reserve Board will prove to be higher than the result in the country as a whole, I don't believe that the major industries of the country will make substantial progress toward any reduction in unemployment this year, with one qualification: if the capital market should be reopened the first half of this year in time to make a real contribution, then you would have some justification for the confidence without which there could be no major increase in the market for durable goods and no major diminution in unemployment in the durable goods industry. Without such gains in durable goods industries you cannot reemploy large numbers in the service industries, of which the railroads are the dominant group, and without those two you simply have not the real income to absorb a sufficient volume of consumer goods to put back to work approximately one and one-half million men. So I do not believe, short of a reopening of the capital market, that you will have a major gain in reemployment for some period ahead.

Senator HATCH. Those are the reasons why you disagree with Mr. Tower?

Mr. HETTINGER. Yes.

Senator HATCH. You do disagree with him?

Mr. HETTINGER. I realize that he is an expert in the steel industry; I am not. Nevertheless, I believe that operations in the steel industry are so closely allied with those of durable goods as a whole that approximate 56 percent must come fairly close to being the maximum, unless the capital market should happen to reopen in the first half of this year.

Senator NEELY. That is all, Mr. Hettinger. Thank you.

STATEMENT OF FRED H. CLAUSEN, DIRECTOR OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

Senator NEELY. You may state your name and whom you represent.

Mr. CLAUSEN. My name is Fred H. Clausen. I am a director of the Chamber of Commerce of the United States, and am appearing for that organization.

Senator NEELY. You may proceed.

Mr. CLAUSEN. In this discussion I shall make reference to the farm-machinery industry with which I have been connected for 34 years and for which I am now acting as director of code activities of the N. I. R. A. This is a logical reference as it applies to all industries dependent on the American farmer for a market. Farmers constitute 30 percent of the country's population, a sufficiently important group to justify full consideration in the establishment of a national labor policy.

Every industry is directly or indirectly affected by the bill. The Government policy is to promote the basic industry of agriculture. It should be consistent in its program.

The farm-machinery industry is directly affected, and I believe every industry is affected to a greater or lesser degree, in view of the relationship between agriculture and industry, and in the consideration of the merits of the proposals contained in this bill affecting our general plan of economic betterment.

I understand the problem this bill intends to solve is making provision for the greatest number of man-hours for the largest possible number of workers that can be employed at a living wage. With this objective there can be no quarrel. I accept the formula but declare that the proposed reduction in weekly hours to 30 in any industry depending on agriculture for its market will result in less man-hours, not more.

The process of maintaining employment depends on the consumer, not the maker of goods. The total number of man-hours in our industry is controlled by the farmer, not by the manufacturer.

The inability to pay wages doesn't just happen. Nor can it be created by law. It comes from the production of useful things that can be sold to consumers. We cannot establish wage rates by Government fiat that are not earned and recovered by the employer who pays them. The wage fund must come from gross income, and not from capital.

I think in consideration of the possibility of industry to absorb any additional burden of this kind and to put over the proposition that is contained in this measure is based to a large extent upon a misconception of the ability of industry to do a job of that kind, when you consider that in the long run only 10 percent of all the business institutions or corporations are successful. I think you can readily see, when you take that into consideration, that it is an impossible task that industry should not be called upon to perform, especially under present conditions.

As I said, the trouble has been that even in normal times only 10 percent of the industrial enterprises have been able to develop as going concerns and maintain their capital structure. This proposed legislation is aimed at employers struggling to maintain themselves by enlarging operations and increasing employment. It asks them to do an impossible thing. Presumably it is not aimed at the worker or the farmer-customer, but it hits them just the same.

To the worker, it says that under the American law you cannot work for others more than 30 hours a week. It definitely limits his earning power without any relation to his health or the betterment of his economic position.

To the farmer, it says that your struggle for economic parity which has been going on for the past decade shall be in vain; that for every stride you take forward the Government will see to it that you fall back two.

Frankly, the program designed to create scarcity of labor will in itself effect increased scarcity of work and not of workers. Is it not fair to ask that credit be given to industry for its accomplishments since the N. I. R. A. was enacted? I survey my industry and find that prior to 1933 the working hours in our shops, large and small, range from 60 to 48 hours a week. Since September 1933, on a 40-hour code, the actual average is 38 hours with so-called "full-time" operations. A 30-hour week would mean an actual average of 29 or 28 hours.

I will say in that connection that in this work we have a 10-percent tolerance provision, and it is not possible in this industry to work under rigid specified hours. We keep very complete records of the operations of the plants in our industry which sponsored the code, and we find that with our 40-hour week they actually work about 38 hours on the average. Interruptions by reason of illness and other causes are always bound to happen. With the 30-hour week you would have that situation intensified. It would mean 28 or 29 hours, which makes the situation more difficult for the worker and has a depressing effect upon his actual earnings.

Senator NEELY. Would a question break the continuity of your statement?

Mr. CLAUSEN. Oh, no.

Senator NEELY. I understood you to state that prior to the adoption of the code in some departments of your industry men worked as much as 60 hours a week?

Mr. CLAUSEN. Yes.

Senator NEELY. What was the nature of their employment?

Mr. CLAUSEN. These are concerns that are located in small communities, that have 8, 10, or 12 employees. They are concerns that started with a small beginning and have not gotten very far, have very limited capital and limited equipment. They have been backward in going forward with the evolution toward shorter hours, taking advantage of their country location in small units.

Senator NEELY. What is the nature of their work; is it exhausting or light?

Mr. CLAUSEN. I would not say the work in our industry is very exhaustive work, although it includes foundry work and wood shops and machine shops, and things of that kind. These small units make different kinds of farm machinery. At one time it was wagons, but they have gone out of the picture pretty well. They make cultivators and plows and different items of that kind. A large part of the output in our industry comes from the large units, and they are the ones who work the shorter hours.

Senator NEELY. What proportion of the men in the industry of which you speak worked 60 hours a week immediately before the adoption of the code?

Mr. CLAUSEN. I would say possibly 5 percent, and from there all the way down to 48 hours. The larger companies in our industry operate a shorter number of hours.

Senator NEELY. No one in your industry is now working more than a 40-hour week?

Mr. CLAUSEN. No, sir.

Senator NEELY. How does the present prosperity of your industry as a whole compare with the prosperity of your industry immediately before the codes were adopted?

Mr. CLAUSEN. I might answer that in this way: That in 1932 our output of sales was about 25 percent of the normal 5-year average prior to 1929. In 1933 the same figure indicated about 1 percent more. In 1934 we estimated 46 percent. Now, in the present state

of operation, owing to better ability of the farmer to buy on account of better commodity prices, it has gone up to 60 or 65 percent.

Senator NEELY. Then your business has been improved, by the policies of the Government during the last 2 years?

Mr. CLAUSEN. I would say that it has improved, owing to the improved condition of the farmer, who is the purchaser of our goods.

Senator NEELY. The reduction from 60 to 40 hours a week has at least not hurt your industry?

Mr. CLAUSEN. It has not hurt it, although the small units complain bitterly that the code is extremely hard on them.

Senator NEELY. Have there not always been complaints against attempts to reduce the hours of service of those who toil?

Mr. CLAUSEN. I would say there has been resistance, but nevertheless, that reduction has taken place very definitely.

Senator NEELY. Do you know of any case in which the reduction has ever been followed by the dire consequences predicted by those who opposed it?

Mr. CLAUSEN. Not when that comes about in a natural, evolutionary way, but there never has been any attempt before, either National or State, to legislate by Government fiat, that an able-bodied man should only work so many hours a day. This is the first attempt in that direction.

Senator NEELY. The answer to that observation is that there has never been another economic or industrial depression in this country similar to the appalling depression which has existed during the last 5 years.

Mr. CLAUSEN. Of course, we are in a difficult situation, and we are all striving to get out of it.

Senator NEELY. I hope that we are.

Senator HATCH. You were discussing the farm-implement business. I wonder what effect the drought in 1934 had on that, whether the increased income to farmers might have tended to offset the losses, at least to some extent.

Mr. CLAUSEN. I think the drought has been helpful to our industry. There is a considerable demand for farm tractors, a good deal coming from where the drought was very bad, and they have no feed for horses. The number of horses has been very definitely decreased, and the farmers need new power. The drought had a marked effect on commodity prices, in connection with the Government's program.

Senator AUSTIN. Do you include in your industry the manufacturers of ax handles and hoe handles and such tools?

Mr. CLAUSEN. We left them out of our definition. They go in the hardwood industry, but almost every item of farm equipment outside of the hand tools you have mentioned is included in the farm machinery industry.

Wage rates have risen from 46.6 cents an hour in June 1933, to 60.1 cents in December 1934, and in the latter month were higher than in 1929.

The number employed in 1932 was one-third of normal. Employment is now 85 percent of normal. This employment ratio of 85 percent has been achieved while production has been only 65 percent of normal.

Of course, the effect of that is that, in spite of the fact that these rates are higher per hour now than they were in 1929, the workers' earnings are less than they were. The thing these men are most interested in is what is in their pay envelope. That is why I have found that a number of them will take the opportunity to work overtime, so they may increase their weekly earnings, which they cannot do under the codes.

This same picture, with varying details, applies to all codified industries in accordance with their ability to find a market for their products. Among durable-goods industries this is an exceptionally favorable illustration.

Industry has cooperated with the Government. If it is expected that voluntary codes are to continue, then standards for their operation that are reasonable and fair must be established.

Every limitation on wages and hours has a direct impact on the cost of farm machinery all the way from the mine and forest to the gates of the farmer's yard.

Gentlemen of the committee, I submit that the farmer-consumer of industry will be unable to understand an order of Government which declares, in effect, that, while he works through the daylight hours, no man building things he needs shall be permitted to labor more than 30 hours a week.

I agree that it is not possible to measure accurately the effect on prices of a one-third increase in wage rates. In our industry, however, we have made a study of this effect and find that approximately:

One percent increase equals one-third of 1 percent warehouse cost;

One percent material increase means one-half of 1 percent warehouse cost.

We have a right to assume that this proposed legislation will eventually have its impact on all items of direct and overhead cost. It is not too wild a statement, therefore, to point out that increased labor expenses amounting to 33⅓ percent will be reflected in prices to farmers for their needed equipment that are 20 percent in excess of the present level. With that condition created, I repeat that this proposed law will reduce and not increase man-hour employment.

The brightest ray of hope in the economic situation today is the gradual improvement in agriculture commodity prices. If this trend is maintained, we are definitely on our way out of the depression, the reestablishment of a market that has been dormant for the products of industry. Why put a brake on the progress we need?

Ever since N. I. R. A. was enacted much has been said about its effect on small industries. The reason for this is that the percentage of displacement and of required increases in labor costs has been greater for small industries in small communities than for large ones. It has meant a greater reduction in hours and a greater increase in minimum wage rates.

In my industry with 715 separate establishments over 500 of which employ less than 50 workers, many of them are glorified blacksmith shops. In fact, the genesis of the farm machinery industry was the small-town blacksmith or wagon shop.

The day of the industrial pioneer is not yet over unless the Government so decrees with this kind of legislation.

Codes recognize, to a certain extent, the difference in situation of the smaller communities by a variation in minimum wage rates, but there is no recognition of variation in small industrial units.

I live in a small community of 2,300 people. Nearly all the workers are within 5 minutes walk of the factory door. Unlike the city worker who may spend one-half to 1 hour each way from home to factory, this bill takes away from him his community advantage.

These workers have not yet assimilated the 40-hour week and often resent the bars placed on increasing their earnings.

I want to refer briefly to other objections to this legislation.

This is not technically a 30-hour bill. With the limitation of 6 hours a day waste in production ability of the workers is bound to have its effect on wage earnings.

Foundries in our industry are important parts of factory organizations. Ability of the moulder to earn depends on moulding time as time taken for pouring of hot iron has very little variation.

In this industry 6 hours is not economic.

Paragraph (b) section 7 reads:

> Nothing in this act shall be construed to apply to agricultural or farm products processed for first sale by the original producer.

If this exemption is proper, by the same token the one way to make it effective is to apply it to the farmer's purchases from industry. When this is done the 6-hour 5-day week is untenable.

This bill is related to code organization and administration. The future of N. I. R. A. is not yet determined. We do know this, and those in authority will not deny it, that the continued existence and operation of codes depends on the voluntary cooperation of industry. With this proposed legislation that voluntary action will be defeated utterly.

For those reasons I feel that we are following the logic of the situation in opposing this proposed bill. One of the most objectionable features is the lack of flexibility. For example, under our code we are permitted to operate 10-percent overtime for an average week of 40 hours during a 6-months period. The reason for that is evident. There are variations in the demand for farm machinery, caused by climatic conditions and other conditions that could not be foreseen. A drought in one district or unusual weather conditions in another district could create a demand for equipment of that kind which could not be foreseen.

If we had not had the opportunity of working the 10-percent overtime tolerance some of our smaller industries would not have been able to take care of that demand, which was unexpected and which, of course, under the conditions in the industry they were anxious to take care of. Small industries in particular would not be able to carry on and produce their goods if they are held down to a 30-hour week. In these small communities where many of these establishments are located, there is a scarcity of labor supply that would make it very difficult and really impossible to operate under a rigid 6-hour day or a 5-day week.

I feel the real objective of the administration, of industry and of labor itself is toward continuity of employment at wages that will give decent living standards, and with that objective in view we are going in exactly the opposite direction if we enact legislation of this kind.

Senator HATCH. I was interested in what a witness said yesterday with relation to your particular industry. He said the price level had been maintained and is about the same now as it was in 1929.

Mr. CLAUSEN. That is not true. There is about a 13-percent reduction below 1929.

Senator HATCH. The suggestion was that, had your industry lowered prices corresponding to the prices of commodities and farm products, and gone after business, you could have kept your men at work.

Mr. CLAUSEN. We would have been in the hands of receivers before now. Many of us are, anyway. Only two concerns in 1934 showed black figures.

Senator HATCH. That could not have been done?

Mr. CLAUSEN. That could not have been done.

Senator HATCH. As a practical business man, that is your thought?

Mr. CLAUSEN. Yes.

Senator AUSTIN. Two days ago we put into the record a report of a committee of the Chamber of Commerce. It was called the "Shorter Work Week, Department of Manufactures Committee, Chamber of Commerce of the United States." Did you have to do with that report?

Mr. CLAUSEN. I was a member of the committee that considered it.

Senator AUSTIN. Do you consider the opinions and the data in that report are accurate at the present time?

Mr. CLAUSEN. Yes. The report was gotten out in December, and there is no change in the situation that would cause me to disagree with the findings that we made at that time.

Senator NEELY. Thank you, Mr. Clausen.

STATEMENT OF HARRY B. RUTLEDGE, MANAGING DIRECTOR NATIONAL EDITORIAL ASSOCIATION

Senator NEELY. You may state your name and whom you represent.

Mr. RUTLEDGE. My name is Harry B. Rutledge. I am managing director of the National Editorial Association.

Senator NEELY. Proceed in your own way.

Mr. RUTLEDGE. I am secretary of the Code Authority of the Graphic Arts Code. I appear before this committee in behalf of the National Editorial Association and its membership of more than 5,000, who are practically unanimous in their opposition to the provisions of the Black bill, S. 87.

In our code for the industry generally we have the 40-hour week, with the alternative of a 48-hour maximum under certain conditions. On the 40-hour basis alone a reduction in hours to 30 with no reduction in pay would increase the cost of operation at least 33⅓ percent.

This because under the Graphic Arts Code an exception is made for plants in which newspapers are printed and they are allowed a 48-hour week under certain conditions. Weekly newspapers may work employees more than 8 hours per day during periods of regular variations and seasonal swells arising from the publication of the paper without overtime pay.

These exemptions and exceptions were granted because it is seldom possible to find in small towns a surplus of skilled printers, pressmen, or linotype operators. A recent survey made by the graphic arts

coordinating committee shows only 35 percent of the towns reporting a sufficient number of skilled workmen to operate the local plants on a 30-hour basis.

My own experience in assisting in the making of this survey was that the replies came from the larger towns and cities and very few from the smaller towns with the 1- and 2-man establishments. Two-thirds of the establishments in my home State are 1- or 2-man shops. The exact figures are 180 out of a total of 275. That may be above the average for the Nation but I know it is correct for at least one State. There are few unemployed skilled printers in these towns.

Our present code week is 40 hours for commercial printers. This applies only to mechanical workers and we have no statistics for the front-office workers. Where the former hours for mechanical workers were 48, the reduction of 8 hours was very largely taken care of by speeding up the work and eliminating nonproductive time. In the smaller towns few extra men were put to work by the N. R. A., or the code, either in newspaper or commercial departments.

The Graphic Arts Code presents an extremely complicated problem for its authorities owing to the classified wage scale, the differentials governed by both volume of business and population of the cities, as well as by the publication of a newspaper in the plant, and to place the entire printing industry on a 30-hour-week basis and try to make the required adjustments would hopelessly confuse code administration if not make it utterly impossible. It would plunge the industry into a chaos from which it would require years to recover.

Authors of the Graphic Arts Code believed so strongly in a national press unhampered by restrictions that it eliminated newspapers from the fair-trade-practice provisions insofar as they denied the sale of graphic arts products below cost. But if a newspaper or periodical must meet the competition of the highly specialized commercial printers in a frenzied search for skilled workmen, it would not be a matter of selling below cost. It would be a fight for existence.

There is no desire on the part of the small newspapers to secure workers at low wages, or to work them unreasonable hours, but the pay roll of these papers is governed to a very great extent by the volume of its business. The more prosperous a newspaper, the higher the wage it can pay and the fewer the hours its men can work. The smaller the plant, the greater the number of nonproductive hours. To compel all newspapers to pay equal wages or work equal hours is to attempt the impractical and the impossible. To many workers, both mechanical and front office, the longer hours on a small paper are much preferable to the fewer high pressure hours in the large establishment, whether newspaper or commercial.

Few industries have less opportunity for passing increasing costs of operation on to its patrons than the small-town newspaper. Advancing advertising rates, during such a period as that of the last 4 years, means only a diminished advertising linage. A very small percentage of publishers (and these in favored sections) have increased subscription rates since 1929. Many more have had to lower their rates. Especially is this true in the drought-ravaged regions of the Midwest and Southwest.

In the survey referred to in a preceding paragraph, only 6.7 percent of those answering expressed the belief that increased cost of production might be passed on to the customer. The survey questioned publishers and printers regarding a proposed 10-percent decrease in hours. Had it proposed a 30-hour week, the assenting percent would evidently have been close to zero.

Because of the fact that the Graphic Arts Code makes no attempt to check small newspaper incomes with accuracy, figures are not available to show how they have been affected by the N. R. A. Several State field managers report gains in newspaper incomes for 1934, but these are the result of so many factors it is impossible to dissect them. In the South and West the A. A. A. was responsible directly for many papers being able to keep their heads above water. P. W. A. projects have added much to the local income in other sections.

Where there are no large industrial groups with steady incomes newspaper finances are subject to extreme fluctuation. A 30-hour week under these conditions means smaller and poorer newspapers, with closing their office doors their only alternative.

These small-town publishers have done more than their full share in assisting State and National Government in every possible way to restore prosperity to the country. Most of them did it at a loss on every issue for several years. Decreasing volume of business and local bank failures exhausted their resources, and there were many failures. One large dealer in newspapers supplies and materials reported that between 60 and 80 percent of their customers in a territory covering many States were, in 1933, on the c. o. d. list. They have, as a whole, recovered but a small degree of their former credit standing. I have many such trade reports to confirm my belief that in the small towns a 30-hour week will throw more men out of employment than it can possibly assist in our industry. Not only employees but employers themselves will be out of work.

Here we have a small newspaper employing three men in the mechanical department on a 40-hour-week basis. These men are a linotype operator, a compositor or floor man, and a pressman. Three quite different trades or classifications and on different wage scales. A 30-hour week means s x men working 20 hours each to produce the same volume of output, at a greatly increased cost to the employer. None of the six receiving a living wage—and each will quit at the first opportunity for a full-time job. That is conceding that an employer can induce these extra men to move their families to a perhaps distant town for 20 hours of work.

Wages are the largest item of operation in every small newspaper plant—the one that must be met every Saturday. Sale of newspaper products is very largely a local matter and governed by local financial conditions. Prosperity in an adjoining city or a neighboring State merely serves to entice from the poorer section the more skilled workers. Most country newspaper publishers spend their lives training workers for the larger towns and cities. At the very best, with minimum wages and maximum hours, their handicap is a heavy one. They cannot meet the wages and hours of the cities, and they should not be asked to even attempt it.

In the value of their plants, in the number of their employees, in the volume of wages paid, these small-town papers may not assume

great magnitude in the grand total for the graphic-arts industry. However, they do have a very important part to play in the life work of this Nation, and they should have full consideration in the making of any and all laws that so vitally affect their future financial status, and the effectiveness of their publications as factors for the social and economic welfare of their various communities.

There is not time to go into a detailed explanation as to why the smaller establishments have not benefited under the N. R. A. and the code to an appreciable extent. It is chiefly because of the increased unit cost of production, their inability to increase prices for their products, and their difficulty in meeting out-of-State competition, which certain code provisions have fostered. With both large and small towns on a 30-hour-week basis, the same handicap continues. Further increases in cost production can only mean immediate ruin for many publishers.

The Black bill says, in part:

> Whereas private business has not been able, and is not now able, to give jobs to those who need them, on past or existing hours of labor.

It might well have gone on and added, "And never will be able to give jobs to those who need them, on the basis of any future law-made hour schedules."

Shorter hours will come in the course of time but only as a result of proportionate increases in volume of consumption, higher prices, improved machinery, and better business methods. Enforced shorter hours at this time simply means that the patient will die before the doctor arrives.

In addition, I might make this further statement, that a survey was made in our own particular branch of the industry, on August 1, 1933, of a cross section of 1,734 establishments scattered throughout the country, which showed that they worked during the year 1932 and the first 6 months of 1933 43.4 hours per employee per establishment; and on that basis we were still employing on August 1, 1933, at the time the President's reemployment agreement went into effect, 96.4 percent of the total number of employees in our division of the industry.

I have already stressed the fact that under the code of our particular industry the small-town newspapers are allowed a 48-hour-week maximum, rather than the general 40-hour period, which the code allows or provides as a whole for the metropolitan centers. That applies to our mechanical workers. There is no limitation in hours to nonmechanical workers employed in our industry, and they are minor in comparison with mechanical workers.

Senator HATCH. There are no restrictions on the nonmechanical workers?

Mr. RUTLEDGE. Not in our division.

Senator NEELY. Are there any questions? If not, we thank you, Mr. Rutledge.

The subcommittee will adjourn until tomorrow at 10:30.

(Whereupon, at 4 p. m. the subcommittee adjourned until the following day, Saturday, Feb. 16, 1935, at 10 a. m.)

THIRTY-HOUR WORK WEEK

FEBRUARY 16, 1935

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
Washington, D. C.

The subcommittee met, pursuant to adjournment, in the committee room, Capitol, at 10 a. m., Senator M. M. Neely (chairman) presiding.

Present: Senators Neely (chairman), Hatch, and Austin.

Senator NEELY. Mr. Peterson, you may proceed.

STATEMENT OF RIVERS PETERSON ON BEHALF OF THE RETAILERS' NATIONAL COUNCIL

Mr. PETERSON. Mr. Chairman and gentlemen, I am connected with the National Retail Hardware Association, an organization of 20,000 hardware retailers, in the capacity of editor of its publication. This is the first experience I have had in testimony of this kind appearing before any congressional group.

In the first place, I want to thank you gentlemen for your consideration in permitting us to present our views. While there is a very wide-spread and deep interest on the part of dealers in this subject, I am addressing you now on behalf of the Retailers' National Council, which is an organization composed of 12 national retail trade associations, representing over 200,000 retail stores located in every State in the Union, with an annual volume of business in excess of $10,000,000,000.

This group is in sympathy with all general movements for the improvement of economic conditions and for business recovery. Our own well-being is dependent upon wide-spread employment and upon adequate consumer purchasing power, so that naturally any move that tends toward that is in our interest. We do not feel that the Black bill offers a sound method of advancing our economic progress. We feel that the provisions are too drastic and too inelastic and that if adopted they are going to work a great hardship, not only on the trade but upon the consumer.

There are certain specific bad effects which we believe the bill will have. We feel certain, in the first place, that the passage of this bill is going to result in increasing the cost of merchandise by at least 25 percent. If we are governed by the history of what happened with the passage of the Industrial Recovery Act, that advance in price is probably going to take place before there is any increased

movement as a result of the 30-hour bill. We know that very definitely happened under the Recovery Act.

That cost of 25 percent, or more if it happens to be, is not going to be absorbed by the trade. They could not absorb it if they wanted to. They have not either the reserves or the profits that would permit them to absorb it. So they are necessarily going to pass this increased cost on to the consumer; and since a large part of that merchandise is purchased by the farming trade, we think perhaps it would fall especially heavy on them.

The following are examples of typical items of food, clothing, and home furnishings in the typical budget of the industrial worker's and farmer's family, to illustrate how an average 25-percent increase probably would affect these important items:

Coffee (no. 4 Santos) now selling for 19 cents will sell for 23 cents.
Rice now selling for 7 cents will sell for 9 cents.
Macaroni now selling for 9 cents will sell for 12 cents.
Butter now selling for 40 cents will sell for 49 cents.
Round steak now selling for 24 cents will sell for 30 cents.
Standard-package breakfast food now selling for 9 cents will sell for 12 cents.
Overalls now selling for $1.29 will sell for $1.65.
A work shirt now selling for 75 cents will sell for 98 cents.
Work trousers now selling for $2.98 will sell for $3.79.
Work socks now selling for 19 cents will sell for 25 cents.
Men's work shoes now selling for $2.50 will sell for $3.79.
Canvas gloves now selling for 20 cents will sell for 25 cents.
Comforters now selling for $2.98 will sell for $3.79.
Mattresses now selling for $8.95 will sell for $11.95.
Metal bedsteads now selling for $8 will sell for $10.
Curtains now selling for $1 will sell for $1.29.

The result, as we view it, is that the consuming public will be required to pay at least 25 percent more for merchandise than it does at the present time, and we doubt the ability or the willingness of the consumer to buy as many things as he is buying now at higher level of prices. At the same time, the thing we need most now is to place the consumer in a position where he can buy more than he is buying at present.

There is also the strong likelihood that quality will be lowered so that goods may be sold at or near present price levels.

Increased prices will not only result in reduced sales, but also in restricted credit for retailers and reduced stocks which in turn will tend to reduce the opportunities for sales to consumers. Retailers' shelves will be stocked with fewer goods, of poorer qualities and at higher prices. The whole economic effect of the bill will therefore be disorganizing and demoralizing.

It is assumed that present money wages are to be maintained. That is a condition of the bill. The increase in costs of consumers' goods would therefore have the effect of reducing the purchasing power, or real wages, of all present employees to an extent of at least 20 percent. Thus, in an attempt to secure more or less reemployment of the 10 million workers unemployed—a doubtful hope—the thirty-odd million people now employed will be required to take a reduction in real wages of upwards of 20 percent.

Fixing the money wages at present rates, while cutting the hours of work, will amount to the same thing as establishing new and minimum wage rates. One of the inevitable results of such statutory action will be to freeze all weekly incomes at this new arbitrary level. The minimum rates will become the maximum rates. Thus higher-grade employees will be penalized under this system.

As already pointed out, the bill provides no elasticity for meeting the widely varying conditions of industry and trade. There are probably wider variations in hours of operation, as well as hours of work, in the retail trades in this country than in any other important industry. These conditions have been modified considerably by the N. R. A. The retail codes have made provision for various work-weeks of from 40, 44, 48, to 56 hours and at the same time they have provided for a number of conditions and exemptions in which additional hours of certain classes of workers are needed in the retail trades. The Black bill provides no elasticity whatever. It drastically requires the adoption of a 30-hour work week without regard to the wide differences in trading habits found throughout the country or to the wide differences necessary among the various trades and among stores differently situated among the various trades.

It will be very difficult, if not indeed impossible, to enforce a law such as provided for in the Black bill. There are over 1,500,000 retail establishments in which approximately 6,000,000 people are engaged. Excepting proprietors and employers, there is an average of less than three employees per establishment. Retailing is preeminently a business carried on in small establishments. Any attempt to enforce such drastic regulations of employment as provided for in this bill will require an enormous supervisory and prosecuting organization. Attempted enforcement will probably result in a situation similar to that which developed under the eighteenth amendment, a provision which failed largely because of the widespread difficulty of enforcement.

The difficulties of application of the provisions of the Black bill to the retail trade are insuperable. The purpose of the bill is to increase employment. It may be possible that this purpose can be effected in industries and concerns where extra shifts may be added. The possibility of the employment of extra shifts in large retail establishments is very limited, but in medium- and small-size stores it is next to impossible. The measure, if enacted, will add little to employment but will materially add to the difficulties of management, as well as of expenses, among small employers.

In many lines of merchandising, such as home furnishings, furniture, music, and so on, retail salespeople must frequently spend long periods of time with customers in order to make a single sale. Indeed, in some cases they must spend more time than permitted for a single day's work under this bill. So far as retailing is concerned, the bill will not accomplish what it is supposed to do. It will merely add greatly to the costs of retailing without yielding any important degree of reemployment or other social benefits.

The result of any effort to apply and enforce upon the retail trades of the country the provisions contained in the Black bill would force out of business many retailers who are now barely able to meet their pay rolls and other expenses and continue in business. Any additional burdens, such as this bill would add, would drive great numbers of such retailers over the brink. An increase in the failure rate of retail establishments would obviously throw an increasing number of employees out of work. Such unemployment would prob-

113926—35——29

ably counterbalance any increase in employment among concerns still able to continue under its provisions.

In conclusion, there is no proof that the adoption of a 30-hour work week will solve the present general problem of unemployment. It may be seriously doubted, even if the 30-hour work week were to be adopted, that enough production could be secured under its operation to provide a decent standard of living for the masses of people of the country. It must be recalled that back in the 1920's, even under the most prosperous conditions ever known, the total production of consumer goods, with all workers employed 50 hours or more per week, was never sufficient to give a liberal standard of living to the masses of the people. This bill proposes an experiment with the lives and resources of business without a single guaranty of success and with a high probability of failure.

Retailing is a branch of the distribution of goods. Retailing is responsible for all sales to consumers. When the people buy and consume more goods business improvement follows. The return of business prosperity is dependent upon increased sales. Anything tending to make retailing easier and simpler will make it easier and simpler for the customer to buy. As a result an increasing volume of goods will find the way to consumers. On the contrary, anything tending to restrict or hamper distribution will make selling more difficult, and this will reduce the volume of goods that will find their way to consumers. This will mean a slowing up of business recovery. It is essential not only to retailing but to all business, then, to make it easy to pass goods on to consumers.

We respectfully urge that the Black bill is not only unnecessary, but also destructive and mischievous. We earnestly request that it be disapproved.

Senator AUSTIN. I am not clear about your group. Does it go outside of the retail hardware business?

Mr. PETERSON. Oh, yes. The Retailers' National Counsel for which I speak is composed of the following organizations: National Retail Hardware Association, National Retail Furniture Association, National Association of Retail Druggists, National Association of Retail Grocers, American National Retail Jewelers' Association, National Association of Retail Clothiers and Furnishers, National Retail Dry Goods Association, Limited Price Variety Stores Association, Mail Order Association of America, National Retail Association of Music Merchants, National Council of Shoe Retailers, National Shoe Retailers Association.

These 12 national retail trade associations represent more than 200,000 retail outlets.

Senator AUSTIN. You spoke of a publication.

Mr. PETERSON. I referred to the Hardware Record. I was simply telling you what I did. It is my job to edit that publication. Appearing here before this committee is foreign to any work I have ever done before.

Senator HATCH. I was not here earlier at this session and I do not wish to ask the witness to go over what he has probably covered. It is not the thought of the retailers that this bill itself limits them in their employment of labor, is it?

Mr. PETERSON. Yes. Does it not contemplate that?

Senator HATCH. Do you think it does, Mr. Chairman? My opinion was that it did not cover retailing.

Mr. PETERSON. I understand that the bill applies to all workers with perhaps the exception of farm labor and domestic labor.

Senator HATCH. It says, as I recall it, that no article shall be shipped in interstate commerce produced or manufactured where labor has been employed more than 6 hours a day. I was just asking you for your thought on it. You have studied the bill probably with that thought in mind?

Mr. PETERSON. Yes. I think they used the same words that they use in the National Industrial Recovery Act of, in, or affecting interstate commerce.

Senator HATCH. I will look into the bill myself with that thought in mind.

Mr. PETERSON. We at least construe it to mean that, and I think the Connery bill has the same language. We were told that it was necessary for us to establish codes in the retail field under this same act, and we just assumed that this Black bill would apply to all trade and industry.

Senator AUSTIN. The fact that you are under a code automatically brings you under this bill, does it not, by section 4 (a), which provides that—

> On and after the date this act takes effect, every code of fair competition, agreement, and license, approved, prescribed, or issued under title I of the National Industrial Recovery Act shall contain a condition that the employers covered by such code, agreement, or license shall not employ any person, except officers, executives, and superintendents and their personal and immediate clerical assistants, more than 5 days in any week or more than 6 hours in any day.

So you have to be under a code.

Mr. PETERSON. We are under one.

Senator AUSTIN. And whether you come within the description of articles that are made by section 2 of the bill, you are indicted just exactly the same as those who are under section 2 of the act.

Mr. PETERSON. Yes, sir.

STATEMENT OF W. JETT LAUCK, WASHINGTON, D. C.

Senator NEELY. Mr. Lauck, will you please state your full name?

Mr. LAUCK. My name is W. Jett Lauck. My address is 227 Mills Building, Washington, D. C.

I have been asked by President Green of the American Federation of Labor to come before your committee today for the purpose of examining as well as I could critically, but constructively, the reasoning advanced before the committee by Dr. Harold G. Moulton, head of the Brookings Institution, and his conclusion as to the impracticability and unacceptability of the pending bill as a measure for stimulating recovery.

Before going into that, which is more or less of a technical discussion, in going over the records there are certain general conclusions that I would like to present to the committee and which have a bearing on this point.

In attempting to prepare to appear before you, I have examined a portion of the record before your committee, both of these hear-

ings and those of 2 years ago. Some of the latter testimony I had the privilege of hearing, and all of the testimony before the House committee in 1933. In this connection, several fundamental aspects of these and previous hearings impressed me greatly; especially as the result of experience with cases involving a reduction in working hours during the past 20 years.

In the first place, the historical background of such cases, as far as the testimony of the opponents of changes are concerned, has been practically the same ever since the industrial revolution of 150 years ago. Reduction in hours have been viewed with apprehension because they were declared to be impractical of adoption, would raise prices, reduce living standards, and would be financially destructive even to the extent of throwing industry into bankruptcy. There has been no deviation. It is the same now before this committee as it was in the attack on the Adamson 8-hour law on the railroads in 1916; the reduction of hours in the steel industry from 72 and 84 to 48 per week after the war; the opposition to reduced maximum work-weeks at N. R. A. hearings. And yet, all these previous reductions in hours have been applied in practice without additional costs and with great advantage to industry and its employees.

The strategy of the opposition for 150 years seems to have been the same—to so becloud the discussion with technical objections and dire prophecies of disaster, as to conceal the fundamental principles and objectives involved.

In the second place, the conviction has come to me that we should constantly bear in mind that economics is not an exact science like physics, chemistry, and mathematics. Although I have not been in academic life for 30 years, I am inclined to believe that there is no science of economics—a person's conception of economics, and his economic reasoning are primarily conditioned upon his moralities, his ethics, and his attitude toward human welfare. At any rate, the science of economics is not sufficiently exact as to permit any accurate predictions as to the future. It has to do with tendencies and many factors are constantly entering in to modify tendencies. Conditions change rapidly. Facts gathered in one economic era cannot be used to predict what will happen in the future. Fundamental tendencies and policies may suddenly change.

It would be a futile exercise in mental gymnastics, for instance, to use the statistics of 1929 to make a prediction as to the effect of the application of the 30-hour week in the years 1935 or 1936. All economic tendencies, policies, and objectives are changing. The facts of 1929 and the reasoning thereon would be without any significance.

Yesterday I read in your record expert testimony to the effect that the productive efficiency of industry had increased less than 49 percent in the 10-year period prior to 1929, and weekly hours of work decreased only 13 percent. Hence, it was held that the 30-hour week could not be adopted by industry because it would lower standards of living, raise prices, and produce an industrial crisis. And then in this connection, I recalled that recently at an N. R. A. hearing, Mr. Ralph Flanders, of the Jones & Lampsen Co., machine-tool manufacturers, former president of the American Society of Mechanical Engineers, member of the N. R. A. Industrial Advisory Board, and one of the foremost men in his profession, declared, that the shelves of mechanical engineers and technicians were filled with detailed blueprints of new machines and inventions, ready to be taken down and manufactured as soon as conditions would permit—and that the industrial world was standing on the threshold of gains in production efficiency and labor-saving devices before undreamed of.

In this connection, I also recalled the recent findings of the N. R. A. investigation as to technological advances made by the automobile industry—how the labor costs of production of an automobile door had been reduced from $4 in 1929 to 15 cents in 1935; a body frame from $3 in 1929 to 35 cents today; how a new inspection machine now does the work formerly required of 20 men; how only 19 men now are required to do the work of 300 men on 8-cylinder motor blocks; how a 50-percent labor saving is expected by the use of an automatic hydraulic vulcanizing machine, and so forth.

In the light of this and similar testimony, how can anyone, on the basis of predepression industrial performance, predict that the adoption of the 30-hour week would be attended by reduced efficiency of labor, higher operating costs, and smaller output? On the contrary, if one fact seems certain as to the future, it is that while we cannot accurately predict, we can safely gamble on the fact that we are on the verge of unprecedented gains in industrial output, and savings in labor costs, which would insure the success of a 30-hour work-week.

In the fourth place, it is my conviction that this committee is standing today where the N. R. A. code authorities stood a year ago, when they were urged by President Roosevelt to put aside profits, and place main emphasis in policy upon advances in rates of pay and reductions in hours so as to accelerate economic recovery.

The code authorities in their search for profits refused to take this advice. As a consequence, the performance of the N. R. A. as a recovery agency during the past year has been negligible.

Finally, it should be borne in mind, it seems to me, that there is no hope for economic recovery today with the exception of the 30-hour week. All other measures are palliative or sustaining, and embody no hope of economic revival and reform.

The 30-hour week is not a dangerous industrial proposal; no collapse could result from its adoption; on the contrary, in my opinion, it would save the country, make possible a more liberal capitalism, and vastly improve the living standards of the great mass of our people—the group which need the greatest help.

The adoption of the 30-hour week would increase wage payments or mass purchasing power at least 5 billion dollars annually. It would take 5 million men from the relief rolls at the outset. Even if it increased prices in the beginning 25 percent, the advance in cost of living would be offset by reduced taxes (and taxes are a part of the cost of living), for by taking 5 million men off of the rolls of the Relief Administration, it would save relief payments to the aggregate amount of 1½ to 2 billion dollars.

Even if the increased wage payments made necessary by the 30-hour week were carried entirely into prices, it would increase prices only a fraction of the increase in purchasing power.

Even the threat of increased prices caused by the adoption of the 30-hour week would increase buying power tremendously.

Moreover, the saving in relief payments of 2 billion dollars a year would not only reduce taxes and cost of living, but would also strengthen the fiscal condition of the Treasury and improve Government credit.

After a short time, as has been the previous experience in reduction of hours, increased productive efficiency of industry would be rapidly felt and unit costs and prices reduced.

Because of these fundamental reasons, it seems to me that nothing can be lost but everything gained by the adoption of the 30-hour week.

But to return to my formal presentation, as to the testimony regarding which I was particularly instructed to direct what I had to say to the committee, I wish to say in the beginning that we have no criticism to offer as to the basic facts submitted by Dr. Moulton either as to national income or as to its distribution in the year 1929 a year of before-unequaled productive accomplishment. His analysis of the facts as they existed in 1929 we believe to have been straightforward, accurate, and scientific.

We believe also that he and his associates have performed an exceedingly valuable service in showing in a most effective way the unequal distribution of income which prevailed in 1929; especially the deplorable facts, as Dr. Moulton pointed out, (1) that 71 percent or 20 million of the 27½ million families in 1929 received an income of less than $2,500 a year, or less than an adequate standard of living; (2) that 60 percent received less than $2,000 a year or less than a bare living wage or practically a subsistence wage with some small provision for health and comfort added; (3) that 12 million families or more than 42 percent, had incomes less than $1,500 per annum; (4) that almost 6 million families, or more than 21 percent of the total were below the poverty level, or had incomes below $1,000 per annum; and (5) that while there was some increase taking place in 1929 in the incomes of the poorer families there was relatively a much grater increase in the income of families in the higher income groups.

These appalling facts, developed scientifically by Dr. Moulton and his associates, constitute a challenge to all those who love humanity, and who are interested in the perpetuation of sound democratic institutions in the sense of both political and industrial democracy.

We go along, therefore, with Dr. Moulton in his statement and analysis of the facts which obtained in the culmination of the so-called "new era" in 1929, as to the national income and its inequitable distribution, but we take sharp and irreconcilable issue with him in his reasoning as to the effects of the adoption of the 30-hour week, based upon his basic facts as to national production and income. To be more exact, I should say that we must take exception to his assumption of the facts and conditions which prevailed in 1929 as a basis for interpreting the effect of the pending 30-hour week legislation.

It is our conviction that Dr. Moulton's fundamental assumption is unsound and untenable.

As the basis for his reasoning as to the effect of the enactment of the pending 30-hour week bill, Dr. Moulton assumed that the same economic system and the same constraining motives and tendencies

which prevailed in 1929 would obtain now, and will obtain in the future. He did not give its true importance to the current movement for economic reform and the inevitability of basic changes in our economic system. He took the pending 30-hour week bill itself a repudiation of the basic factors which existed in the capitalism of the year 1929, and assuming that it was a measure designed to accelerate a return to the capitalism of 1929, analyzed its effect in the light of the conditions affecting national income and national production possibilities 5 years ago.

He failed to realize and accept the most indisputable and fundamental fact of the present day, namely, that the economic conditions which reached their zenith in 1929 have passed away; that the earth has fallen on the coffin of the economic forces which had free play in 1929 and they have been forever buried; that any process of reasoning based upon them may be logically sound but without any practical significance; and that we are now passing through a period of transition and reform into a new economic epoch, where the forces affecting national income and industrial production, and their distribution, will be entirely different from those upon which his reasoning was based; and that the 30-hour week bill, which is now being considered, is one of the underlying measures in the movement for the reconstruction or reform of the 1929 capitalistic system.

It assumes a different form of capitalism, a less restricted production, and a more equal distribution of this increased output of our mines, farms, mills, and factories. When stripped of technical considerations and reduced to its fundamental objective, the pending bill assumes that shorter hours of work or reemployment of the unemployed, and higher rates of pay, or increased mass purchasing power, shall take precedence over profits in the distribution of an unrestricted national output.

What were the economic forces in 1929 which encompassed our downfall and upon which the premises of the Brookings Institution's reasoning as to the effects of a 30-hour week are based. They were:

(1) An unequal distribution of industrial output or of purchasing power.

(2) A ruthless pursuit of profit, attended, on the one hand, by appalling waste and loss, especially in the conduct of our natural-resource industries, and, on the other hand, by artificial barriers and monopolistic practices in production and distribution, which restricted industrial production or national income.

(3) A lack of coordination of consumption to production possibilities in individual basic industries and an entire lack of correlation as between industries.

(4) A concentration of control of money and credit in a small New York group of private or so-called "investment bankers", symbolized by the leadership of the banking house of J. P. Morgan & Co., which dictated our industrial policies with only two short-sighted and antisocial objectives in view: (1) To afford a field for investment or speculation by the sale of securities to the small group of our population who were the recipients of the larger part of our national income; and (2) by stock bonuses, fictitious security issues, underwriting fees and commissions, and similar devices to absorb future earnings of industry arising from increased mechanization,

technological improvements, and the growth and density of population.

Under this system of procedure the possibilities of industrial accomplishment could not be given free play. There was no opportunity to realize the potentialities of production of our machines and our industrial workers. The great mass of our people did not have sufficient purchasing power in the aggregate to stimulate industry to its maximum output. As a matter of fact, due to the unequal and inequitable distribution of purchasing power, mass consumption could not absorb the output of mass production, even as then restricted, and, as a consequence, in the autumn of 1929, this system of unregulated and inordinate profits and restricted production collapsed and passed away. We can no longer conduct our economic reasoning on the basis of a return to this system.

On the other hand, a new economic or capitalistic system is now in process of formulation and practical application. Its most conservative objectives, as exemplified by current programs and policies, are:

(1) To secure a more equal division of purchasing power, or through increased mass purchasing power to accelerate and expand production.

(2) To stimulate employment by reduction in working hours.

(3) To have increased mass purchasing power and employment, as in the present bill, take precedence over unreasonable profits.

(4) To eradicate monopolistic practices and arbitrary restrictions imposed by excessive profit-seeking upon industrial output.

(5) To plan and develop further industrial expansion through the coordination of production and consumption and thus avoid competitive wastes and losses.

This new and enlightened program is not only headed for economic recovery but also toward economic reforms which will liberate the forces of increased productive efficiency and more equitably distribute the gains accomplished. It is in the light of these economic forces, and not in terms of a departed era, that we must pass judgment upon the pending measure for a 30-hour week.

If we abandon, therefore, the economic system or forces which prevailed in 1929, upon which the reasoning of Moulton and Leven are based, there can be no ground for apprehension as to the feasibility and advantage of the adoption of the 30-hour work-week.

In the first place, production and the national income may be expected to increase greatly under the new conditions. A conservative estimate of what may follow is indicated by the recent report entitled "The National Survey of Potential Product Capacity." This study was made by 60 recognized engineers and technicians during 7 months of the year 1933–34. It was an official undertaking financed by the Federal Government.

Its difference in method of approach to the problem of increased productivity as compared with the study made by the Brookings Institution has been succinctly stated by Stuart Chase in a recent article in Harper's magazine from which I shall read, as follows:

The National Survey * * * takes no account of contemporary financial or market conditions. Its frame of reference is serviceability, not vendibility. Here, it says, are so many human beings; here is so much raw material; here are so many farms and factories. Suppose that the farms and factories were all busy supplying human wants: how much could be produced, with due regard for all bottlenecks in the flow from natural deposit to ultimate consumer; what was the value of this physical production at 1929 prices, and what would it amount to per family? If our economic system were able to produce and distribute without traditional market limitations, what volume of useful goods and services could be thrown off with the facilities available in 1929?

On the other hand, the frame adopted by the Brookings Institution was that of the going capitalist economy. A more correct title of the study would have been "Private Capitalism's Ability to Produce in 1929", or "the Minimum Excess Capacity Customary Under the Open-Market System." On page 14 it is clearly stated that the report is not concerned with America's productive capacity as it might have been, but it was, under the general pattern of commercial organization then prevailing. And on page 424 it is emphasized that the report is asking simply how much unattained capacity was latent in our actual situation, and now how much we could have produced in some different situation of which we have more or less knowledge, or for which we entertain more or less rosy dreams. Business-as-usual is thus the admitted base.

The finding of the Brookings Institution was that under the limitations of our economic system in 1929, the national income could have been increased 19 percent, or from 81 billion to 97 billion dollars. Expressed in terms of family income, this would mean an average of $3,100 per annum.

The finding of the national survey on the other hand, was that the national output of goods and services could be increased 45 percent over the 1929 level, or to a total of 135 billion dollars. If evenly distributed this would mean an average annual income of approximately $4,700 per annum.

What could be done under the new economic system to which we are advancing obviously lies somewhere between these two estimates. It could not reach, of course, the hypothetical or ideal results of the national survey. It should, however, greatly exceed the Brookings estimate of 97 billions, and would be sufficient, under a proper restriction of profits to provide satisfactory living standards.

The Columbia University Commission on Economic Reconstruction also endeavored to secure the judgment of engineers and of business executives as to the gap between actual and potential production. In its report in 1934 it stated the results of its inquiry on this point as follows:

A subcommittee, consisting of Dr. H. S. Person, Professor W. C. Mitchell, and Dean J. W. Barker, approached a group of engineers and secured their cordial assistance. Then a questionnaire was sent to 91 prominent engineers, of whom 34 responded by answering the questions. A similar questionnaire was sent to 93 prominent industrial executives, of whom 25 similarly responded. Although returns were received from only 42 percent of the engineers and 27 percent of the executives, the very high agreement between the engineers as a group, and even more between the engineers and the executives, makes, in view of their leading positions in their respective callings, an important testimony. It undoubtedly expresses the considered judgment of men highly qualified to judge.

When we find, for example, that in answer to the question: What percent of increase could be effected by the industry reported if equipment and management were brought up to the level of the best current standard?—the mean estimate of the engineers is 90.1 percent and of the executives 84.4 percent, we have a very serious challenge to existing conditions which the economist cannot ignore. Perhaps even more remarkable is the fact that in answer to the question: How much could the output of all industries be increased

with equipment and management brought to the level of best current practice?—the mean estimate of the engineering group is 77.6 percent.

* * * * * * *

The challenge to the economist is obvious, for engineers and executives alike find that economic factors directly and indirectly play a large part in limiting technical efficiency. This is seen in their answer to question 1: If assured a ready market for all goods produced, could the industry reported exceed the best previous record in man-hour output?

Here, then, the report continues, we have a concensus of professional opinion to the effect that the economic mechanism is not so geared to the productive mechanism as to make fully available for the satisfaction of human wants the power which industrial and technological development have placed at our command. On this point the conclusions of our subcommittee are very suggestive. They point out: "If we accept the judgment of these 59 engineers and executives that from the viewpoint of engineering technology the productivity of industry could be greatly increased with existing facilities, were it not for limits to effective demand, interest is turned at once to this matter of effective demand. Experience promptly rejects the hypothesis that demand is restricted because all—or anywhere near all—consumer wants are satisfied. Presumably, therefore, the restriction of demand is caused by ineffectiveness, due to the existence of interfering institutions or the absence of essential institutions, in the functioning of the processes whereby total income flows out to the community and is transformed into purchasing power."

The conclusions of the director of the national survey, Harold Loeb, as to increased productivity and better living standards are, in part, as follows:

In 1929 the national income of the citizens of the continental United States, under the open-market system, consisted of goods and services amounting, at retail prices, to a total of $95,417,894,000.

* * * * * * *

This production of consumer goods and services was not adequate to provide a proper standard of life for the whole people.

This inadequacy was emphasized by the uneven distribution of buying power.

* * * * * * *

It should be noted that the above estimate of what the physical equipment and personnel could produce, if production were limited by physical factors only, could be enjoyed only if the additional consumer satisfactions were made available to that part of the population which was not able to enjoy them in 1929—nor since.

The total money equivalent of the goods and services available were production limited only by physical factors and knowledge, namely, 135 billion, does not indicate the possible living standard of the population.

* * * * * * *

Consequently the income of $4,370 per family[1] per year should be thought of only as the basic sum, the equivalent merely of the necessary nonscarce physical goods and the elementary services required for a decent living standard. Beyond these essentials lies most of life.

It is clear from the evidence available, therefore, that with more freedom from restrictions, such as a more liberal and planned economic system, would injure an ample field for industrial expansion and better living standards without adding to our existing physical equipment.

Moreover, there is no evidence to support the argument advanced by Dr. Moulton that the general application of the 30-hour week

1 Statistical family; 4.1 individuals.

would restrict production, and, therefore, increase prices and lower living standards. All the experience points to the contrary.

The 30-hour week would increase the volume of production. A conservative estimate of reduction in average weekly hours is 25 percent. Assuming that a comprehensive law would apply to 20,000,000 workers, this would mean an increase of 5,000,000. With no decrease in per capita earnings, this would mean a vast expansion of pay rolls. This would mean, in turn, a great increase in the purchasing power of ordinary consumers, which is the essential basis of accelerated production.

Additional pay rolls would not mean a proportionate addition to prices paid by consumers or a proportionate burden on employers.

(*a*) The cost would, in part, be counteracted by the increased efficiency and productivity of labor which, as indicated by past experience, accompanies a reduction in hours. Reductions in hours of labor since 1929 in manufactures have been accompanied by an increase of more than 25 percent in man-hour output.

(*b*) Cost of production, as affecting the burden on the employer and the price to the consumer, is unit cost; and the increased purchasing power of the wage earners, applied throughout industry and uniformly affecting employers in each competitive field, would tend, as already stated, to increase volume of production. Other factors may be expected to operate in the same direction, as the Public Works program. Because of the increase in volume of production, there should be a comparatively slight and, perhaps, no increase in unit cost of production.

(*c*) The recent upward trend of profits indicates an increasing profit margin which should be expected to absorb a part of any additional production costs if these should prove to be required.

(*d*) The 30-hour week should facilitate the adoption of additional shifts in many industries, and this would reduce overhead, usually an important item in cost of production.

(*e*) Assuming for the sake of argument an actual advance in unit costs, this would not require a proportionate increase in prices.

(1) Overhead and certain other fixed costs should not increase proportionately, if at all, and would be reduced in the case of establishments adding to the number of shifts.

(2) Insurance, medical attention, recreation, education, and so forth, should be affected slightly, if at all.

(3) Labor cost is only one of many items of cost; and in many industries, as pointed out by President Green when he appeared before your committee, is only a small proportion of the total production costs.

(*f*) Some goods and services are sold at so low a price as to make impossible decent wages and hours, and a 30-hour rule might operate as a desirable instrument for forcing price readjustments.

N. R. A. experience has developed a number of illustrations of the quick reaction of industry in the way of increased productivity to a drastic shortening of hours of work. Perhaps the most striking in this respect is that furnished by the cotton-garment code.

This industry prior to the N. R. A. was characterized by sweatshop conditions. Some establishments worked as long as 60 hours a week, with minimum weekly wages of $3. The code, as approved by the N. R. A., established a maximum work week of 40 hours and

minimum rates of $12 and $13 a week. About 6 months after its adoption a hearing was held to ascertain whether the cotton-garment industry should not be placed on a 36-hour work week in order to equalize competitive conditions with other branches of the clothing industry.

Investigation developed the significant fact that since the code has been in operation, although pay rolls or labor outlays had increased 27 percent, labor productivity had advanced 28 percent. In other words, although there had been a drastic curtailment of hours as a condition of securing a code, there had been practically no reemployment in the industry, for the reason that productivity had slightly exceeded the increased labor outlays made necessary by the reduction in hours worked and higher rates of pay. As a consequence, labor cost per unit of output had not advanced.

As a consequence of these disclosures, an Executive order was issued and applied to the industry providing for the maintenance of the same wages but a reduction in the maximum length of the work week from 40 to 36 hours.

Similar developments have undoubtedly characterized the reduction in the length of the work week by other N. R. A. codes. In some cases a reduction in hours, as in the bituminous-coal code, from 40 to 35 hours per week, has been accompanied by an increased efficiency which lowered the labor cost of each ton of coal mined.

Reduction in hours have acted as a stimulus to economy, to improvements and savings in administration, to better technological methods, and to further mechanization. It is because of this that pure reasoning, based on bare statistical facts, as to what will be the result of a reduction in hours of work, such as the 25-percent reduction provided in the pending bill, are more or less valueless. Unrelated to conditions which may exist, or which may develop, such reasoning often has no more practical significance than a stimulating exercise in mental gymnastics. There is only one generalization which can be made safely, and that is that a reduction in hours will, according to all past precedents, result in a decided impetus to industrial economy and efficiency.

Perhaps the best illustration of these statements is furnished by the situation which prevailed in 1916 when the organization of steam railroad engine and train service crews demanded a reduction in the standard workday from 10 hours to 8 hours. Railroad management most vigorously opposed the proposal as revolutionary, impossible of practical application, and financially destructive. Even if the needed technical changes in operating methods and equipment could be made, it was further declared that the financial cost would be unbearable, and many companies would be thrown into bankruptcy.

The Adamson law, embodying the requests of the employees in legislative form, however, over the protests of the railroads, was enacted in 1916. Within 2 years all overtime had ceased. Runs were accomplished between terminals within the reduced workday. The 8-hour day was costing the railroads no more than the 10-hour day.

Because of improved roadway and structures, the development of engines of greater speed and tractive power, cars of greater capacity, and longer freight trains, by 1932 it had become possible

for the railroads to transport approximately two-thirds of their much heavier freight trains between terminals within approximately 6 hours or less.

In that year, the employees again requested a reduction of 25 percent in the length of the standard workday, or, in other words, a 6-hour day similar to the pending measure. Congress ordered an investigation as to its practicability by the Interstate Commerce Commission. The representatives of the railroads made almost identically the same protests against this proposal as they had against the 8-hour workday in 1916. The Commission in its report stated that its adoption would initially add to the operating costs of the railroads, but in time these costs would probably be absorbed through changes in operating methods and technological improvements. The proposal is now before the Congress for consideration.

If the transportation industry, operating under fixed rates prescribed by a governmental agency, can, through increased efficiency and better mechanization, more than absorb the costs of a reduction of 20 percent in hours and an increased wage rate of 25 percent, how much more possible and probable are similar accomplishments attainable under the more flexible conditions of private business.

Efficiency of labor depends largely on morale, experience, training, capacity to live decently. The 30-hour week, by increasing employment, would automatically improve these basic elements of labor's efficiency.

The 30-hour week would not impair the capacity of industry to produce sufficient goods and services. The confusion as to "sufficient goods and services", does not mean (1) under the existing economic system enough goods and services to supply all needs; or (2) enough to return to the 1929 level of consumption, though this would undoubtedly be more than possible under the 30-hour week. The capacity to produce sufficient goods and services means merely capacity to produce in accordance with effective demand. The fallacy of current opposition to the 30-hour week is that although it assumes the existing arrangements in which the amount of labor is determined by the actual volume of purchasing power used for buying the output of labor, yet, on the other hand, it condemns the 30-hour proposal on the ground of imaginary situations in which enough labor would be required to produce all needed goods and services, or the amount produced in 1929, or under other conditions radically different from those now existing, or which may possibly develop, or which may never occur.

The reference made by Dr. Moulton to the fact that in a great many N. R. A. codes increased wages and shorter hours have been reflected in higher prices may be due to a variety of causes other than a reduction of hours such as the lack of development of volume of production essential to lower unit costs, or to profiteering by industrial corporations. As a matter of fact, the practical stagnation of N. R. A. since March 1934 has been due to the determination of the majority of code authorities at that time to hold fast to profits to the exclusion of economic recovery and reform.

The initial accomplishments of the N. R. A. were its greatest. Its record by March 1934 had been so gratifying that it held forth the hope that it would be the means of leading us back to prosperity and a better economic life. These pleasing prospects, however, were

destroyed by the short-sighted action of industrial leaders. In March 1934 it will be recalled, that President Roosevelt through General Johnson, convened all the code authorities and then personally urged them to adopt a general policy to accelerate recovery. The President declared that the time had come to place the maximum emphasis upon increases in rates of pay to wage earners and reductions in hours of work, and a minimum emphasis upon profits, for the fundamental purpose of accelerating reemployment and mass purchasing power.

The determination of industry despite the President's urging, to emphasize profits and a restricted schedule of production, rather than to sacrifice immediate and unusual profits in order to widen the scope of operations and make sure the upward movement toward economic recovery, demonstrated for all time, the impossibility of industry governing itself in an enlightened, far-seeing way or in the public interest. It has also clearly shown that the new N. R. A. should provide that all members of code authorities should be appointed by the President and not elected by the industries concerned.

The result of the decision of the code authorities in March 1934 so far as the N. R. A. is concerned, has been that since that time its attainments have been practically negligible as a recovery agency.

To my mind, the cornerstone of economic recovery and reform, which the builders of the N. R. A. rejected even when preferred by the President, must now be accepted through the enactment of the Black bill. Otherwise, our existing calamities will be intensified and no one can foretell the ultimate consequences.

Technical problems, and practical questions of price and production are important in their bearing upon the pending bill. They are not, however, of underlying significance. The real opposition to this bill arises from the same causes as those which led industry, through the code authorities, to reject the President's recommendations of last March. The dominant banking groups of the country and the majority of our industrial leaders are still thinking in terms of 1929 conditions. Shorter hours for industrial workers with no reduction in earnings, are still looked upon by these groups as an unwarranted infringement upon existing profits and a menace to the future net gains of industry. Fundamentally, the contest here is one that is being waged over control of the distribution of the output of industry.

The investment banker and the industrial executive know full well that shorter hours of employment with increases in rates of pay, means the absorption of a larger proportion of industrial income by labor of all classes and occupations, whether of hand or brain. Unlike the code authorities last March, however, they will be wise in their day and generation, if they will accept, in an economic sense, the principle enunciated in Palestine almost 2,000 years ago, that "he who would save his life must lose it", for the reason that inordinate profits must bow to shorter hours and higher wages, or, otherwise industry will not be able to function at all. The soundness of this conclusion has already been demonstrated by our experience with unemployment during the winter of 1927–28, by the collapse of the new era in 1929, and by the results of our devastating deflation in wages and prices during the dark days of the years 1931–33.

This process of saving industry and maintaining industrial accomplishment through shorter work hours will also undoubtedly be a continuing one, for the reason that whenever in the future technology outruns employment and purchasing power further reductions in the work week must take place, if our present economic system is to endure.

In conclusion, may I add that there is another fundamental premise as to the future which Dr. Moulton neglects but which is absolutely certain according to the best authorities, and which to me seems to be the most important reason why the 30-hour-week bill should be passed by the Congress. It is that we shall have great increases in productive efficiency whether the depression continues or not. Of course, as the report of the National Survey stated, the depression has had a repressing effect upon new inventions, the installations of labor-saving machinery, and the adoption of technological processes to reduce cost because, under conditions which have prevailed, the existing equipment is partly idle and it does not pay to develop new methods or new inventions.

As the movement toward economic recovery progresses, however, all of these dormant forces for increased productivity will be brought into play. The 30-hour week would constitute a very great stimulus in this direction. At any rate, whether we have the 30-hour week or not, it is inevitable that there will be a great increase in productive efficiency in the future. The important question which we should consider in connection with the pending bill, therefore, is whether some measure such as this should not be in force to enable the masses of people to absorb in the form of better living standards and more leisure the gains from this new era in productivity or whether we shall permit the industrialists and the investment bankers in the future, as in the past, to reap excessive and unwarranted profits from these productive gains. If we do not now embody the principles of the Black bill as a basic part of our economic program for the future, our people cannot look forward to the economic welfare and standards of living to which they are entitled.

STATEMENT OF J. E. LENTIE, VICE PRESIDENT TOBACCO WORKERS' INTERNATIONAL UNION

GENTLEMEN: My name is J. E. Lentie, vice president Tobacco Workers' International Union.

I speak in support of Senate bill no. 87, introduced by Senator Black, upon which your committee is now holding hearings. I have no desire to unnecessarily take the time of the committee by covering ground already covered by President Green of the American Federation of Labor, and previous speakers.

The aim and purpose of the national recovery program was, as we understood it, to bring about a shortening of the weekly hours of work in all industry, thereby reducing the human unit production, and, in turn, increasing the employment opportunity to a larger and larger number of workers in industry. We regret to say that the shortening of the working hours in the tobacco industry to a standard of 40 hours per week has not had the hoped-for result.

There has entered into the industry more and more improved machinery, until today our industry is so mechanized that it produces in a 36-hour week (which has been the near average for the year 1934) more than twice as much as it did some years ago under the 48- and 54-hour week.

In 1919 there were 24,474 wage earners employed in the cigarette industry, according to the Census Bureau. The output that year was 53,000,000,000 cigarettes. In 1931 employment in the industry had dropped to 20,176, or 18 percent less than in 1919, but the cigarette output had more than doubled, having reached an output of 117,000,000,000 cigarettes. During the year just

closed (1934) the output reached approximately 127,000,000,000, with a still further reduced force of employees.

The tobacco manufacturing industry as a whole, exclusive of cigars, employs probably 50,000 workers. It is our belief that the 30-hour week would add from 5,000 to 10,000 workers to the pay-rolls in a normal season, since the average weekly hours worked in the cigarette industry was only 36 during 1934, according to the Bureau of Labor Statistics. In view of this, we feel justified in urging a shorter work week.

According to the Census of Manufacturers' figures, the labor cost in manufacturing cigarettes is only 2 percent of the wholesale selling price. If mechanization in all industry had gone as far as it has in this industry, less than one-fifth of the labor now employed would be needed.

Senator AUSTIN. Mr. Chairman, I would like to have the record contain the following:

A certified copy of a resolution adopted by the House of Representatives and the Senate of the State of Colorado in favor of the bill.

A statement from National Electrical Manufacturers' Association, addressed to Hon. Henry F. Ashurst, chairman of the Senate Judiciary Committee.

A statement by the National Wood Box Association also sent to the Senate Judiciary Committee.

A statement by the code authority for the velvet industry, sent to Hon. M. M. Neely, chairman of the subcommittee of the Committee on the Judiciary.

A statement by the American Trucking Associations, Inc.

Two communications from the Alabama Mining Institute, addressed to Hon. M. M. Neely, chairman of subcommittee of the Committee on the Judiciary.

A letter from the Industrial Association, by J. M. Manley, commissioner, addressed to Chairman Neely.

Senator NEELY. All statements and letters to which Senator Austin has referred will be inserted in the record.

HOUSE JOINT MEMORIAL 4

Whereas the Congress of the United States has before it measures tending toward the reemployment of labor; and

Whereas the shorter work day for labor as an agent of economic recovery has become one of the vital issues at this time; and

Whereas the hours of labor in the United States should be reduced to a point where the slack in employment may be taken up; and

Whereas the application of the 6-hour day and the 5-day week in this country will accomplish the reemployment of labor by industry: Now, therefore, be it

Resolved by the house of representatives of the thirtieth general assembly, the senate concurring herein, That the Congress of the United States is hereby respectfully memorialized and urged to give thorough consideration to bills establishing a 6-hour day and a 5-day week for labor in industry; be it further

Resolved, That the Senators and the Representatives of the State of Colorado in the Congress of the United States are requested to take such action as will insure consideration of the aforesaid bills, and that copies be forwarded forthwith to the President of the Senate, the Speaker of the House of Representatives of the Congress of the United States, and to the Senators and Representatives of the State of Colorado.

MOSES E. SMITH,
Speaker of the House of Representatives.
JOHN T. DOYLE,
Chief Clerk.
RAY H. TALBOT,
President of the Senate.
[SEAL] M. J. WALSH,
Secretary of the Senate.

STATEMENT OF F. C. JONES, PRESIDENT NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION

HON. HENRY F. ASHURST,
Chairman Senate Judiciary Committee,
Washington, D. C.

MY DEAR SENATOR ASHURST: The National Electrical Manufacturers Association desires to register its protest against the Black 30-hour bill (S. 87), hearings on which are now being held by your committee. This action was authorized by the board of governors of the association on February 7, 1935, by the following resolution:

"* * * that a brief be prepared and sent to the Senate Judiciary subcommittee, and further that the matter be brought to the attention of the members (of the) association) at the general industry meeting on February 8 * * *."

The following resolution was unanimously adopted at this general meeting:

"Whereas public policy recognizes the desirability of 'the more abundant life'; and

"Whereas production of more goods and services is an important factor in 'the more abundant life'; and

"Whereas the reduction in the average work week has over a period of years been approximately one-half hour per week per year; and

"Whereas the average work week in 1929 was approximately 50 hours; and

"Whereas the normal rate of improvement of management technique and of productive equipment has not been maintained since 1929; and

"Whereas a reduction in the average work week is based economically on the rate of improvement of such management technique and of productive equipment: Therefore be it

Resolved, That it is utterly impracticable to produce the volume of goods and services which American industry and commerce should normally produce and sell and the American people should consume in the 30-hour week proposed by some sectors of organized American labor and in the bill."

Our position is fully set forth in the attached brief, to which we request that you give your careful consideration.

Respectfully yours,

NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION,
F. C. JONES, *President.*

BRIEF PRESENTED TO THE SENATE JUDICIARY COMMITTEE AGAINST THE BLACK 30-HOUR WEEK BILL (S. 87) BY THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION, SUPPORTING RESOLUTIONS PRESENTED IN LETTER TO WHICH THIS BRIEF IS ATTACHED

There have been introduced into the Seventy-fourth Congress two bills, designed to impose upon industry and commerce a 30-hour week by legislative mandate. These bills are known as the "Black 30-hour bill", S. 87, and the "Connery 30-hour bill", H. R. 2746. The declared purpose of the former bill is:

"To provide a fairer and more nearly balanced income; to put idle machines and people to work; to increase the purchasing power of the people and thereby stimulate production to capacity; to revive languishing commerce and trade; and to promote the happiness and comfort of the people."

The declared purpose of the latter bill is:

"To spread employment uniformly so far as possible."

A wholly disinterested, impartial agency[1] has reached the conclusion that "no legislative proposal has ever been advanced which is more revolutionary in its economic and social implications.

The National Electrical Manufacturers Association subscribes to this conclusion of the Brookings Institution, and believes that the proposed legislation, if enacted, would be contrary to public interest. Under these circumstances, it urges that the Senate Judiciary Committee report adversely upon the proposed legislation.

We wish to present our point of view under the following several headings:

1. Public policy recognizes the desirability of "the more abundant life."
2. The production of more goods and services is an important factor in "the more abundant life."

[1] The Brookings Institution, the Thirty-Hour Week, p. 3.

3. The reduction in the average work week has, over a period of years, been approximately one-half hour per week per year.
4. The normal rate of improvement of management technique and of productive equipment has not been maintained since 1929.
5. A reduction in the average work week is based economically on the rate of improvement of such management technique and of productive equipment.
6. It is utterly impracticable to produce the volume of goods and services which American industry and commerce should normally produce and sell, and the American people should consume, in the 30-hour week proposed by some sectors of organized American labor, and in the bills.
7. The short term effects would be disturbing and would aggravate existing price disparities.
8. The long term effects would be adverse to meeting our aspirations for consumption.
9. The 30-hour week would decrease purchasing power and retard recovery.

I. PUBLIC POLICY RECOGNIZES THE DESIRABILITY OF "THE MORE ABUNDANT LIFE"

President Roosevelt has, in a number of his messages and addresses, emphasized the desirability of "the more abundant life." To this the Electrical Manufacturing Industry heartily subscribes.

We believe that once the current depression is over, we will be in position to attain for all the people of the United States a higher standard of living than has ever heretofore obtained. To this higher standard of living the Electrical Manufacturing Industry hopes to contribute, with more and better electrical products, satisfactions which they afford, and the saving of effort, and the increased comforts which they provide.

II. THE PRODUCTION OF MORE GOODS AND SERVICES IS AN IMPORTANT FACTOR IN "THE MORE ABUNDANT LIFE"

While we fully recognize that an increase in leisure contributes to "the more abundant life", nevertheless we believe fully, along with all or nearly all consumers, that a fuller life for all the people of America will consist largerly of the production and distribution of more goods and services. Indeed, it is a basic economic and industrial principle that we can consume only what we produce, and that consumption and production are in the long run identical except that as for a Nation the equality of the two may be slightly affected by imports and exports.

We do not believe that the American people as a whole, or any substantial portion of the American people, would regard any program which resulted in the diminution of the total volume of production and consumption of goods and services as a satisfactory way of achieving more abundant life, even though such program offered the advantage of greater leisure through a shorter work week. The standard of living of the American people has steadily risen except during the periods of depression, and the American people have come to expect and will expect a steady improvement in that standard of living as reflected in the production and consumption of more and more goods and services.

III. THE REDUCTION IN THE AVERAGE WORK WEEK HAS, OVER A PERIOD OF YEARS, BEEN APPROXIMATELY ONE-HALF HOUR PER WEEK PER YEAR

The examination of available statistical data shows that there has been a steady reduction in the average work week since the advent of the factory system in America. Between 1920 and 1929 the reduction in the average work week was from approximately 60 hours per week to approximately 50 hours per week, a little less than one-half hour per week per year.

Since 1929, owing to abnormal conditions, including in the last year and a half N. R. A. codes of fair competition, there has been a further reduction in the work week from approximately 50 hours to approximately 40 hours. This latter development has been generally regarded by industry as an emergency and temporary development, out of which would come an economically sound reduction in the work week below the 50-hour week prevailing in 1929, based, ultimately, on the economic, technologic, and management developments since 1929.

IV. THE NORMAL RATE OF IMPROVEMENT OF MANAGEMENT TECHNIQUE AND OF PRODUCTIVE EQUIPMENT HAS NOT BEEN MAINTAINED SINCE 1929

The increasing power to produce per man-hour depends basically upon two major factors: (1) The rate of improvement of management technique, and (2) the rate of improvement of productive equipment. We should like to consider these two factors, both separately and together.

There undoubtedly has been in many directions improvement in management technique since 1929, especially during the first 2 or 3 years of the depression. Competitive conditions forced, for a time, more intensive attention to improvement in management methods, a development in which we as managers took considerable pride.

It is a well-known fact, however, that as the depression proceeded, many companies, in fact a large proportion of companies, had to throw overboard the advances which they had made and to abandon their efforts to push forward. It is also a well-known fact that during the last year and a half, uncertainties regarding labor sentiment have in many, many cases postponed management improvements which of themselves were highly desirable, but which have been deferred because they might have occasioned misunderstanding with labor, the costs of which would have been greater than any savings which the improvement in management technique might have created. It is our estimate, therefore, that over the 5-year period from 1929 to 1934, it is doubtful whether a normal rate of improvement in management has been maintained.

What sometimes appears to have been an improvement of management has been actually due to other factors, namely, that as the number of employees declined through the depression, and as employees became more and more anxious to retain their jobs, the average efficiency increased. It increased partly because the same individual employee increased his output in order to help insure continued employment, and it increased also because the best type of employee was retained as long as possible, so that the average production per man-hour naturally rose. This we, as managers, regret to have to admit, but it is a fact which must be taken into consideration in estimating the capacity of American industry and commerce to produce a normal volume of goods and services such as America experienced in the latter part of the last decade.

While management has maintained a fairly high standard and has doubtless gained somewhat over the condition in 1929, without, however, we believe, maintaining a normal rate of improvement, the condition of American productive equipment has not, as a rule, improved much, if any. There has been almost throughout the entire depression, and in most of American industries the position still obtains, a marked disinclination to purchase new and improved equipment.

While the capital goods industries have done their best to design, manufacture, and sell new and better equipment, the opportunity to install such equipment has met with severe resistance, which accounts for today's low condition of practically all capital goods industries. In our opinion, the condition of productive equipment in American factories has actually declined, due to obsolescence and wear and tear, so that its condition today is less favorable to the production of goods than it was in 1929. Certain it is that American industry has shown nothing like a normal rate of improvement in productive equipment such as that to which we were accustomed in the first three decades of this century, or during the decade of the twenties.

In our opinion, the net effect of the condition of these two major factors in America's capacity to produce, namely, the rate of improvement of management technique and the rate of improvement of productive equipment, has left us little, if any better, and possibly less well off than in 1929, and substantially behind where we would have been after a normal rate of improvement had the 5-year depression not intervened.

V. A REDUCTION IN THE AVERAGE WORK WEEK IS BASED ECONOMICALLY ON THE RATE OF IMPROVEMENT OF SUCH MANAGEMENT TECHNIQUE AND OF PRODUCTIVE EQUIPMENT

We recognize that increasing leisure through reduction in the average work week is a desirable result up to certain limits, which indeed may be changing limits. In recognizing this principle we must, however, take into consideration that it is a normal individual's, including worker's, desire to have a mode

of expression for his creative effort, which expression for most workers finds its major expression in work. Industry itself has an interest in the increase in leisure, at least to the extent that it provides the times for the consumption of the products of industry.

Industry, however, cannot accept the idea that leisure through reduction of the working week can be created economically to such an extent that normal volume of goods and services cannot be produced to the current stage of development of industrial processes. We firmly believe that there would be a gradual and voluntary reduction in the workweek of industry as economic and industrial conditions permit it. Already, what amounts to a somewhat forced reduction in the working week has taken place under N. I. R. A. We do not believe that the forcing of reduction of the workweek can be carried further, and many and probably a great majority of members of the electrical manufacturing industry believe that any further forcing of reduction of the workweek would be disastrous, and beyond economic possibilities.

VI. IT IS UTTERLY IMPRACTICABLE TO PRODUCE THE VOLUME OF GOODS AND SERVICES WHICH AMERICAN INDUSTRY AND COMMERCE SHOULD NORMALLY PRODUCE AND SELL, AND THE AMERICAN PEOPLE SHOULD CONSUME, IN THE 30-HOUR WEEK PROPOSED BY SOME SECTORS OF ORGANIZED AMERICAN LABOR, AND IN THE BILLS

It is, therefore, our firm conviction that the 30-hour week is utterly impracticable.

We do not believe that anything like a normal volume of goods and services which American industry and commerce should normally produce and sell, and the American people should consume, can be produced in an average 30-hour week.

VII. THE SHORT-TERM EFFECTS WOULD BE DISTURBING AND WOULD AGGRAVATE EXISTING PRICE DISPARITIES

The issues involved are clear cut. The proponents of this legislation declare that its enactment will put idle machines and people to work, that it will increase purchasing power and stimulate production. These claims are subject to grave challenges. Every citizen is keenly conscious of the unfortunate plight in which millions of their fellows find themselves, due to unemployment. Their plight deserves every consideration. Nevertheless, the fundamental concept underlying this bill must be examined and weighed in the light of wise economic statesmanship.

As a long-term policy, the proposal is unsound and indefensible. It is based on the "scarcity theory", that there is only so much to go around and only so many jobs to be filled. As a short-term policy "for the duration of an emergency", it ignores the fact that reemployment is something more than a problem in the arithmetic fixing of hours of a work week. Will its enactment actually increase employment? What effects would such legislation have upon costs of production, upon prices? How would the legislation, if enacted, affect the relationship between agricultural prices and the products the farmers must buy? Would it affect adversely the farmer's improved purchasing power? Would it increase purchasing power in general? What effect would it have on our foreign trade?

Even though quantitative answers could be had to these grave questions, there would still remain the question as to the wisdom and the expediency of imposing on commerce and industry an arbitrary mandate of this character. The imposition of such legislation must inevitably disturb and distort all existing business relationships. Rather than restore equilibrium and facilitate recovery, it will create disequilibrium and retard recovery. It will distort price levels and accentuate existing maladjustments in price relationships.

VIII. THE LONG-TERM EFFECTS WOULD BE ADVERSE TO MEETING OUR ASPIRATIONS FOR CONSUMPTION

Any proposal which is designed to restrict employment to a 30-hour week, for the long term, is the direct antithesis of the concept of "the more abundant life."

It is generally admitted that a vast potential demand for both consumers and durable goods exists throughout the country. Furthermore, this poten-

tial demand is large enough to absorb a productive capacity in excess of that available in 1929. The Brookings Institution, after a careful survey, concludes that, "the United States has not reached a stage of economic development in which it is possible to produce more than the American people as a whole would like to consume.[1]

The concept of "the more abundant life" is predicated on a steadily increasing volume of goods and services, made available to all in increasing quantities. Again the Brookings Institution concludes that, "We cannot materially shorten the working day and still produce the quantity of goods and services which the American people aspire to consume.[2]

As we have said, the average work week in 1929 was approximately 50 hours. No one will contend that the volume of goods produced in that year was excessive. As a long-term proposal, then, the 30-hour week is indefensible. Again we quote the findings of the Brookings Institution:

"To summarize: If we have a 30-hour working week with complete utilization of our labor force and productive establishment, and then assume a universal increase in efficiency in agriculture, mining, manufacturing, transportation, marketing, and other branches of industry of as much as 25 percent, we could still have a productive output considerably smaller than in 1929. Unless we can be sure of a vast increase in productive efficiency the working day cannot be appreciably shortened without a curtailment of production, and, inconsequence, without reducing consumption standards below the level of 1929." [3]

IX. THE 30-HOUR WEEK WOULD DECREASE PURCHASING POWER AND RETARD RECOVERY

The enactment of such legislation as an emergency measure, cannot be justified, if all the factors are considered. Admitting, for purposes of discussion, that the arbitrary reduction of the work week to 30 hours would tend to reemploy those now idle, the question still remains, at what price such reemployment would be achieved. In the first place, it does not follow that a reduction of 25 percent from the prevailing 40-hour week would mean a corresponding percentage increase in employment.

In order to maintain the purchasing power of those now employed, it would be necessary to increase prevailing wages 33⅓ percent, in general. Obviously such a drastic increase would be reflected in costs of production and in the prices of goods and services. Either prices must advance immediately or concerns would be faced with the necessity of absorbing additional losses. The cost of living would advance and inevitably real wages would decline. There can be no conjecture regarding the effects of such legislation on costs, prices, and real wages. It has been claimed that a 20-percent increase in wages would result only in a 3.3 percent increase in the price of products. Again, a study made by the Brookings Institution, of the effect of wage increases upon prices under codes * * * shows that the prices of manufactured commodities and the wage rates of the labor engaged * * * had roughly an equivalent increase."[4] No one can forecast what effect such legislation would have on prices, since there were other factors under the codes. The estimate of 3.3 percent does not deserve serious consideration.

As an emergency measure, then, it is contended that the proposed bill will not effectuate the declared purposes of its proponents. Rather, that it will decrease purchasing power and retard production and delay the promotion of the happiness and comfort of the people.

We are emerging from the most severe depression this country has ever experienced. Nothing else so much as long range confidence is needed at this time to facilitate the forces of recovery now in motion. The enactment of this legislation could result only in the retardation of recovery through the inpection of further elements of uncertainty. It must inevitably prove detrimental to those very persons whom it is proposed to benefit. In the final analysis, its path lies away from and not toward the "more abundant life". A wise statesmanship will reject such a measure as contrary to the public interest.

[1] The Brookings Institution, The Thirty-Hour Week, p. 3.
[2] America's Capacity to Consume, pp. 127–130.
[3] Idem., p. 130.
[4] The Thirty-Hour Week, p. 15.

STATEMENT OF C. D. HUDSON, MANAGER, NATIONAL WOODEN BOX ASSOCIATION

GENTLEMEN: The National Wooden Box Association, representing approximately 900 manufacturers of wooden boxes and crates, operating throughout the United States, wishes to go on record with your committee as being opposed to enactment of the Black 30-hour bill (S-87).

Manufacturers of wooden boxes and crates use more than 13 percent of all lumber cut annually in the United States in the production of containers. This is low grade lumber and is not suitable for construction purposes. The wooden box industry, therefore, represents an essential outlet for more than one-eighth of the Nation's lumber production (p. 2, Technical Bulletin 171, U. S. Department of Agriculture).

The production of wooden boxes and crates is not highly mechanized. The 900 operators employ between 40,000 and 45,000 men, producing approximately $40,000,000 worth of products annually. In view of the fact that low-grade lumber represents the raw material of this industry, the labor content of the finished product is necessarily high, representing approximately 25 percen of the market price over and above any labor involved in the production of the lumber.

The keenest competitor of wooden boxes is the solid and corrugated fiber container industry which, by comparison, is highly mechanized and therefore employs considerably less labor per dollar of finished product.

Prior to the signing of the lumber code by the President August 19, 1933, crate and box manufacturers throughout the Nation paid a minimum wage averaging from 50 cents to 75 cents per day in the South to 15 cents and 20 cents per hour in the North and Pacific coast regions respectively. When the lumber code became effective, wage scales were increased from 50 cents to 200 percent, the minimum bases being 23 cents in the South, 30 cents in the Eastern and Northern States, and 40 cents west of the Rocky Mountains. At the same time the industry was placed on a 40-hour maximum week. In order that the industry might be in position to absorb this sudden increase in the labor burden, steps were taken toward securing legal approval of minimum prices, representing weighted average cost, to enable the industry to recover out-of-the-pocket manufacturing expenses. On December 22, 1934, as the result of lack of compliance by certain lumber producers, minimum prices on all lumber and timber products were suspended by the National Recovery Administration.

The National Wooden Box Association and the 10 regional associations which comprise it have expended a vast amount of money and energy in securing compliance in regard to wage and hour provisions of the lumber code. Records indicate that the industry has cooperated fully in the recovery program by assuming its full share of the burden in the reemployment of men and in the payment of increased wage scales. Under the present 40-hour maximum week provision of the lumber code, the industry has been severely handicapped in meeting the demands of its customers. Approximately 50 percent of the volume is made up of fruit and vegetable containers. Many manufacturers of boxes and crates operate only 6 months of the year and possibly are compelled to concentrate most of their production in 3 months. This would apply particularly to manufacturers providing apple boxes or citrus crates.

Since the box and crate industry furnishes containers largely for consumer goods, it is subject constantly to feast or famine; workmen are laid off one week and on the following week could be given 60 hours of employment, if the law permitted.

Under these conditions few manufacturers have been able to give employees as high as 35 hours per week of employment over any 6 months period. Reports for the 8 months extending from March to October, inclusive, 1934, covering approximately 315 plants, employing approximately 15,000 men, show an average employment of 32.5 hours per week for this 35-hour period. This covers the best operating months of the year.

Under these conditions it is apparent that a 30-hour maxium week will give little promise of adding to the pay roll of manufacturers of boxes and crates. It would promise, chiefly, a further handicap and increase in costs in attempting to meet the seasonal and unexpected demands of industry and agriculture.

Considerable pressure has been brought on our industry to prevent higher prices for fruit and vegetable containers. It is recognized that growers and orchardists cannot hope to recover excessive packing costs. At no time during the last 16 months have current prices on these containers, as charged by our

industry, represented as much as weighted average cost of production. In the absence of any price control under the lumber code, destructive competition has developed in many markets and operators are faced with a serious burden in their attempt to maintain present wage and hour provisions.

To increase this burden at the present time will invite bankruptcy for the operator who attempts to abide by the law and will induce complete noncompliance on the part of the operator who is not at present favorable to code regulations.

Crate and box manufacturers, like all other groups of the lumber and timber products industry, have been required by the administration to make a tremendous financial contribution to recovery during the last 16 months. The original agreement as understood by industry called for the assumption of higher labor costs with the privilege of minimum price control. The administration found it necessary to suspend operation of the price-control feature of the code but the labor burden must still be carried by the industry.

The situation is precarious and in many areas threatens to develop into open revolt. Through strong leadership and pressure of public opinion every possible effort is being extended to avert a breakdown in general compliance. An added burden of costs and increased rigidity in hours of labor at this time would defeat the recovery aims of both the industry and the administration.

STATEMENT OF WARD CHENEY, CHAIRMAN, CODE AUTHORITY FOR THE VELVET INDUSTRY

As chairman of the code authority for the velvet industry, I desire to file with the subcommittee the following statement in opposition to S-87, a bill generally known as the "30-hour week bill." It is respectfully requested that this letter be included in the record of the committee hearings on this bill in lieu of oral testimony before your committee.

It is recognized by the members of the velvet industry that the principal purpose of the proposed legislation is to grant employment to a larger number of workers at the same rate of pay as may prevail for a longer work week in effect at the time of passage of the act.

Generally speaking, we are of the opinion that it is not the function of the Federal Government to usurp the power of arbitrarily establishing a limited number of hours of work for all industry. With Government supervision under the N. I. R. A., each industry has been enabled to elect a scale of operation best suited to its individual needs. We think that this system is far more practical than state-wide or national control of industry in general. It allows a flexibility to a degree which permits each industry to care for its own peculiar problems.

However, it must be recognized also that due to certain inherent characteristics some industries cannot practically or economically operate under restrictions as outlined in S-87.

The velvet industry depends for its existence almost solely upon style trends and fashion acceptance. The momentum in the market is dependant to an extreme degree upon the showings of the couturiers of Paris. Some indication of trend toward certain types, colors, and characteristics of fabric may be obtained from the showings in early February each year, but it is not until fall season garments are shown in May that authentic information may be gathered as to what will almost surely "be good." Because of this uncertainty and because the great bulk of velvet is sold only for fall consumption, velvet manufacturers cannot begin to manufacture fabrics on a production basis at the very earliest, before March 15 or April 1. Production is increased on wanted articles in May and June, after the second Paris showings and the peak of production takes place in July, August, and September. October generally sees a slackening of production with virtually a shutdown from November 15th.

For years, promotional efforts have been devoted to trying to develop fabrics which might be used during the present "off" season, but those efforts thus far have been of little avail from the viewpoint of volume sales.

Therefore, we are faced with the problem of being able to run mills at peak production during only three months. If the fall season is lost through insufficient production, there is no salvation in sight until the following year.

The code of fair competition for the velvet industry has limited operation of productive machinery to two shifts of 40 hours each, and some members of the Industry have complained during the past year that they have been seriously hampered and a further restriction of operation would be extremely injurious to the manufacturer with limited productive facilities.

Wages paid weavers are higher than other textile industries, also due to the existence of peak and dull seasons, and to the superior skill demanded of velvet weavers particularly. There is not an oversupply of skilled velvet workers available at present, and it is the opinion of members of the Industry that a shorter work week would merely bring about a slight increase in employment and that of learners or inexperienced workers who would, by poor work, create more substantial losses to manufacturers. A majority of the velvet looms in the Industry are located in Connecticut, and while a shifting about of employees there might be possible, mills in other States, such as New York, New Jersey, and Pennsylvania, might be unable to obtain additional workers.

It would be difficult to establish an increased shift to occupy looms with the available skill.

There is another point to be considered, when contemplating a bill such as S-87. Production costs have been increased materially by the restrictions already placed on hours and wages under the N. I. R. A. A compensating protection has not been granted to domestic products by an increase in tariff rates on imported commodities. If costs were further increased, foreign manufacturers would be favored to a more appreciable extent. The present proposal does not specify any relief against the possibility of increased importations.

Enforced provisions of N. I. R. A. codes seems to us by far the more logical method of controlling the industrial unemployment situation than by limiting hours of work on the basis of manufacture of commodities going into interstate commerce.

Therefore, the velvet industry opposes a favorable report by your committee on S-87.

Statement on Behalf of the American Trucking Associations, Inc.

The American Trucking Associations, Inc., is a national association composed of more than 100 local and State associations whose members are those engaged in the business of transporting property over the publicly used roadways by motor vehicles; being the organization, which representing the industry of trucking, secured the Code of Fair Competition now in force for that industry.

The American Trucking Associations, Inc., is opposed to the passage of the bill in question and, on behalf of its membership of State associations, most earnestly urges that the bill be not enacted into law for the reasons hereinafter set forth as follows:

1. A 30-hour week would be impracticable of application in the trucking industry.

2. The adoption of a 30-hour week would produce an unfair competitive condition for the trucking industry in competition with rail carriers and water carriers who would not be subject to the same limitations.

3. The adoption of a 30-hour week would produce unfair competitive conditions within the trucking industry as between those members of the industry who are also employers as against members of the industry who own and operate their own trucks.

4. The Trucking Code furnishes an adequate vehicle for increased employment in the trucking industry without the intervention of arbitrary legislative provisions as in this act proposed.

IMPRACTICABLE OF OPERATION

The trucking industry is engaged in a service operation, that of transportation, and must accommodate itself to the needs of the shippers which it serves. It moves all types of property, including perishable goods from farm and factory, raw materials, and finished product. Some operations require highly specialized employees difficult of replacement.

Other operations require movements which extend from a base oftentimes for periods in excess of 1 week, making the necessity of averaging hours of employment.

The trucking industry at the depth of the depression had little or no unemployment. The industry has been constantly growing and a limitation of 30 hours would present a difficulty of replacement. If, through lack of personnel, the curtailment of these service operations were necessary, the result might increase, rather than decrease, unemployment in industries dependent on this industry for transportation.

The impracticable operation of a 30-hour week is further reflected in succeeding discussion herein.

The trucking industry is essentially an industry of service. As such its regularity of employment and its regularization of hours is limited on all sides by the demands of the 7,000 other industries of which the trucking industry is a servant. In the for hire industry alone, there are seven distinct classifications of types of operation each one of which is at the time of service an integral part of the industry which it is serving. The contract carrier, for example, is most decidedly at the beck and call of the party who hires the use of the vehicle. If it becomes necessary in contractual work to give service during business peaks and rush periods, the contractor who undertakes to comply with the requirements of his contract is subject to the desires and the whims and fancies of the industry of which he is at that time serving.

Common carriers engaged on both regular and irregular routes are likewise at the mercy of the demands of the industries which they assist. During rush periods such as holiday seasons or sudden changes of climate calling for an influx of merchandise to small trading centers, these operators must if they expect to retain the goodwill of their clients comply with the demands of the industry for which they are working.

PRODUCTIVE OF UNFAIR COMPETITIVE CONDITIONS WITH RAIL AND WATERWAYS

The field of transportation, of which the trucking industry is a part, involves other types of carriers, either uncontrolled or controlled under legislation allowing a greater work week than in this legislation proposed. These other forms of transportation require and are allowed the necessary flexibility to meet the operating conditions required of their type of service.

The limitation of hours of labor proposed by this bill would materially handicap unfairly the transportation of property by trucks in interfering with the ability of the trucker to serve the needs of transportation would react in favor of competing types of transportation.

The field of truck transportation as productive of employment is vast beyond the comprehension of the average person. The transportation of the same quantity of property by truck is several times as productive of personal employment as would be the movement of such property by rail. A railroad train will transport from 10,000 to 14,000 tons in the hands of a single train crew consisting of 5 or 6 men. The transportation of 10,000 tons by truck will require in crew personnel, in 10-ton trucks, not less than 1,000 employees. It can readily be seen that in great shifting of transportation from trucks to rails which would be produced by this unfair rail advantage would be productive of unemployment which would materially over balance any theoretical increase in employment to result from lessened hours.

PRODUCTIVE OF UNFAIR COMPETITIVE CONDITIONS WITHIN THE INDUSTRY

Transportation by truck in the United States is estimated as involving in excess of two million vehicles with an average ownership of less than two trucks per owner. The great majority of these trucks are owner driven.

The proposed legislation would be applicable only to employees. The restriction of hours would result in handicapping transportation operations involving employees which transportation operations would be thereby unfairly affected in competition with the owner-driven truck. This would tend to drive the traffic from the employee-driven truck to the owner-driven truck which owner-driven truck would have the advantage of greater flexibility in hours of service. This would generally produce unemployment on the part of those unable to buy trucks rendering the whole trucking industry less stable by reason of restricted financial ability on the part of proprietary individual operations inadequately financed.

TRUCKING CODE ADEQUATE FOR INCREASING EMPLOYMENT

On February 10, 1934, there was adopted a Code of Fair Competition for the Trucking Industry, copy of which is attached hereto. Included in this code are provisions governing the hours and wages of employees.

Under this code, which by administrative order, temporarily applies only to "for hire" operators, there have been registered with the State code authorities in excess of 300,000 trucks, the owners of which are complying with the conditions of the code. This compliance is materially improving labor conditions within the industry having the effect of increasing the number of individuals employed in the industry.

It should be borne in mind that this process is not a trucking reemployment process but rather an increase in trucking employment as distinguished from reemployment. Motor-truck registration had decreased from the year 1929 to the year 1933 only 0.045 percent, hence the additional employment which has taken place within the trucking industry during the period of the code has been the employment of workers to a large extent not formerly associated as employees of the trucking industry.

Many reports have reached the National Code Authority to the effect that there is a scarcity of skilled, competent, careful, and safe operators of motor vehicles. Such new employees as have been included in the ranks of the work of this industry have, therefore, been employees requiring training. It is obvious that it is against public policy to place motor vehicles running over the publicly used roadways in the hands of unskilled or incompetent employees. So that, if it were reasonably possible to adjust hours to 30 per week, which it is not, then in that event, such adjustment in the interest of public policy should not be made with unwarranted haste. It is believed that the present reduction in hours under the code has produced as much of a burden of assimilation as safety will justify.

Any reduction in hours in industry, particularly the trucking industry, requires public sentiment in the industry for its support in enforcement. The Code of Fair Competition for the Trucking Industry provides the machinery whereby the industry itself, through code authorities representatively chosen, may as rapidly as possible adjust working hours. This matter being in the process of careful handling by these representatively chosen code authorities assures the necessary supporting industry opinion to accomplish effectiveness.

It will be noted in the code that provision is made for industrial relations boards, one for the Nation, with sub-State boards, on which boards both employers and employees are represented. This produces the assurance of progressive improvement.

The trucking industry is an industry which prior to the code presented no authentic source of information and no adequate facilities or comprehensive plan for study. The code furnishes the facilit'es, and registration thereunder the source for comprehensive study of the industry. Committees are at work on such problems as 8-hour day, off duty and deadheading, and altogether the code is satisfactorily accomplishing a purpose which by the passage of this legislation would be greatly retarded if not absolutely defeated.

Under the code the reduction of hours therein affected is possible of being averaged which is the only practical method of dealing with transportation.

It should also be remembered that competition with other types of competing transportation effectively sets a top to trucking transportation charges. Increased burden of expense too rapidly accomplished and increased competitive advantage which would result from impracticable visitation of hour restrictions would only tend to the decrease of employment in this industry thus accentuating rather than relieving any emergency condition. In view of these circumstances it is respectfully urged that this proposed legislation be not enacted into law.

STATEMENT OF JAMES L. DAVIDSON, SECRETARY, ALABAMA MINING INSTITUTE

Being informed that hearing being conducted by the subcommittee of the Judiciary Committee of the Senate of the United States, on S. 87, by Senator Black, will terminate before this week-end, and that your committee will not have time to hear representitives of the coal industry of Alabama, we take this means of conveying to your honorable committee our earnest protest against favorable action on the bill.

Our reasons are that the provisions of the bill, if enacted into law and put into effect, would work great detriment to the coal, iron, and steel producing concerns in Alabama and to the employees, and, particularly, to their employees engaged in mining coal in Alabama. Because of the fact, among others, that geological conditions, including broken-up strata, thin, pitching seams of coal, practically all of which have one or more partings of slate or bone coal, and other adverse physical conditions underground, difficulty in mining, cleaning, assembling and rais ng the coal to surface, and washing or cleaning same when raised, as well as that the working faces of practically all mines in Alabama being long distances from the surface and the length of time necessary in transporting the workmen to and from the working places being greater than if the mines were more recently opened, also difficulty and delay in distribution of empty cars make it impractical and, we might say, impossible to produce coal in Alabama on 6-hour-shift basis without entailing unbearable expense and increased cost of production beyond the ability of the operators to market their product in competition with natural gas, fuel oil, wood, and hydroelectricity. As a consequence thereof, many, if not all, of the commercial coal mines of Alabama would be compelled to close, or in a short while be thrown into bankruptcy, resulting in further unemployment in the coal fields of Alabama, or, on the other hand, place upon the consumers of domestic coal an unjustifiable increase in the cost of fuel for heating their residences.

In addition to causing disemployment by inability of many mines to operate under conditions imposed by the bill, its provisions would work serious detriment to employees at those mines, if any, which are able to continue to operate under the provisions of the bill. Because from a practical standpoint the pieceworkers, known as "coal diggers" or "loaders", would not have time within the 6-hour day to perform the necessary work of caring for and making safe their working places and also load sufficient tonnage to make a living wage without greatly increasing the digging or loading price now being paid. In turn, the 6-hour workday would throw a large and unjustifiable extra cost or additional expense upon the consumers of coal in Alabama trade territory.

It would be impossible and impracticable for all but a few coal-mine operators in Alabama to double shifts at their operations, for the reason that the housing facilities in the mine villages or nearby towns are not adequate for taking care of additional workmen, whereas those with the housing facilities would be put to large and unwarranted expense in so doing, and the extra or resultant cost to the consumers of coal would be burdensome.

Furthermore, were the extra shift employed, such would operate to reduce the working time of the employees presently engaged to one-half; consequently their earnings would be reduced correspondingly. Furthermore, to split the working forces now engaged into two shifts would be impracticable, expensive, and of no consequent benefit to those presently employed. Therefore the provisions of the bill would not increase employment in and about the coal mines in Alabama, but would operate to greatly decrease same.

Were the working time of the mines confined to 30 hours per week and five 6-hour shifts, it could only mean that a large portion of the employees would receive only 3 days' work in 1 week and the other crew would receive only 2 days' work in 1 week, provided the mine had orders to justify running as much as five 6-hour shifts each per week, in which case each employee would get less than 2 days' work per week, or, in other words, the working time of each crew would be reduced proportionately.

Since the N. R. A. ordered (Mar. 31, 1934) a reduction of working hours at coal mines, from 8 to 7, the operators producing commercial coal in Alabama have lost to their competitors, above mentioned, 15 percent of their business previously enjoyed, and the cost of producing coal has been increased 15 percent over the cost obtaining under the 8-hour working day. All of which has to be borne by the consumer or else the mine must be shut down. (In fact, several mines have already been forced to close down because the extra operating costs occasioned by the imposition of the 7-hour day, which made it impossible for these mines to compete with natural gas, fuel oil, wood, and hydroelectricity, and the coal mines in other States which have more favorable operating conditions and less cost of production.)

Furthermore, speeding up of operation, occasioned by the reduction in working hours from 8 to 7 per day, has operated to materially increase accidental

injury, both fatal and nonfatal, to the employees engaged in mining coal in Alabama. The hazard to the workmen resulting from the shortening of the shift hours, or daily working time, is more serious than the loss of earnings to the employee occasioned by the unwarranted imposition by the agencies of the Federal Government of impractical and expensive operating regulations; for instance, the 7-hour day, which so increased the cost of production as to cause the Alabama coal mines to lose a large tonnage of business to their competitors mentioned above.

Whereas the adverse natural conditions in the coal fields of Alabama, mentioned above, make it more difficult and expensive to recover the coal than in any coal field in the United States east of the Rocky Mountains, and the coal mines and the employees and their families dependent thereon for livelihood would be more disastrously affected by the operation of the provisions of Senate bill 87, by Mr. Black, than would the employees in any other coal field east of the Mississippi. And although your honorable committee should be informed in detail as to how the provisions of the bill will peculiarly affect adversely the coal, iron and steel industry in Alabama, those employed therein, and the consumers of coal in the Alabama trade territory; it appears to be impossible to present the same at this hearing.

Therefore, we do hereby endorse, subscribe, and become a party to the brief and testimony filed with your committee, respecting said bill, by the National Coal Association. And also we wish to corroborate the testimony given by the witnesses representing the National Coal Association at the hearing you are now holding, which brief and testimony show conclusively the detrimental effect which the operation of the bill would have upon the coal industry of the United States, generally, and the employees engaged therein.

We wish to again earnestly protest against favorable action upon the bill by your honorable committee, and/or the Judiciary Committee of the Senate of the United States, and request and petition that this letter be read before your committee prior to close of hearing and that the same be entered as testimony at the hearing and incorporated in and made a part of the record thereof. Also that the undersigned be permitted to file with your honorable committee a brief setting forth more specifically how the coal industry of Alabama will be seriously crippled, if not destroyed, by the enactment of the bill.

(We append hereto a memorandum of the mining engineer of the Institute, which we request be considered and taken as a part of this letter.)

MEMORANDUM: RE EFFECT OF THE 6-HOUR DAY—BY THE MINING ENGINEER OF THE ALABAMA MINING INSTITUTE

The hourly productive ability of coal miners in division III having been increased when the 8-hour day was put into effect, and further stretched, in a much less degree, when the 7-hour day was established, is not susceptible to further augmentation, except by the installation of mechanical aids. Inefficiencies that existed under the 8-hour day were of necessity remedied during operation under the 7-hour day, leaving little hope of improvement from this source.

The physical characteristics peculiar to the coal seams of this area do not permit, except in the most favorable locations, any substantial mechanization. Presence of thick partings of rock preclude opportunity of miner loading additional coal per hour at many mines. It is indisputable, therefore, that the 6-hour day will decrease the daily production of Alabama coal mines at least 15 percent additional to the decrease suffered when the 7-hour day became effective.

Thin, pitching seams, and the thicker seams with many inherent impurities, necessitate high capital investment per ton of capacity, and high maintenance and operating costs. The capacity of hoisting engines, preparation and washing plants, slopes, shafts, and other transportation facilities is based in most instances on 8- to 10-hour daily operating cycles.

During the first nine months of operations under the 7-hour day Alabama coal mines lost at the annual rate or $288,000. There is no hope of increasing the realization by increasing present sales prices, which prices have not proven compensatory, because of the threat of oil, natural gas, and hydroelectricity on all sides. To further increase cost by decreasing production would be economic suicide.

The only alternative would be to make major capital investments in transportation equipment in every mine to the end that output might be maintained and cost increases minimized.

The steady loss of commercial tonnage in this field, from 13,900,000 tons in 1926 to 6,800,000 tons in 1934 has been accompanied by severe capital losses. Several mines have been forced to discontinue operations during 1934 from economic causes. No further capital is available for the speeding up of production in an industry in which conditions still existing have forced the abandonment of the utilization of practically half of its productive capacity in the past decade. This is definitely true since the commercial mines (excluding captive) lost 2½ percent in tonnage in 1934 as compared to 1933; while the country as a whole gained materially.

The increase in the consumers' coal bill as compared to January 1935, when the 7-hour day was in effect, will be 16.7 percent of the labor cost, which represents 61 percent of the cost of production, plus 14.3 percent of the cost of taxes, depreciation, and overhead. As compared to January 1934, when the 8-hour day was in effect, the increase in labor cost would be 33.3 percent, or more, in other costs, 25 percent, or more. Faced with the addition of not less than $2,000,000 to their annual coal bill, as compared to prices under the 7-hour day, the consumers of Alabama coal would turn all the more quickly to the competitive fuels which are so readily available for industrial and domestic uses.

To the coal industry of division III the 6-hour day can only mean less production, increased costs, reduced consumption, greater unemployment, and eventual curtailment of capacity to a point only sufficient to meet the market requirements which cannot be met by competitive fuels.

ALABAMA MINING INSTITUTE,
Birmingham, Ala., February 14, 1935.

Senator M. M. NEELY,
Chairman of Subcommittee of the Judiciary.

We, the undersigned executives of concerns operating coal mines in Alabama, wish to join individually in the letter of the Alabama Mining Institute of even date herewith and directed to you protesting against favorable action by your honorable committee and/or the Judiciary Committee of the United States Senate, on Senate bill 87, by Mr. Black, and sincerely petition your honorable committee, and in turn the Judiciary Committee of the United States Senate, to make an adverse report on the bill.

Because, having had many years' experience in operating coal mines in Alabama and knowing the unfavorable and difficult conditions and high cost of production under which the coal mines of Alabama had to operate under 8-hour work day and 6-day work week and the costly and injurious effect (both to the operator and employee) of the order of the N. R. A. Administrator (Mar. 31, 1934) reducing the work day for coal mines from 8 to 7 hours, we state unequivocably that, in our best judgment, should the Black bill (S. 87) be enacted into law and put into effect, it will result in the displacement (by other forms of fuel, hydroelectricity and coal mined in other States), of a large tonnage of coal now being marketed from Alabama mines, and cause many man-days' work to be lost to employees of these mines, and greatly increase the cost to the consumer (especially the householder and individual) of fuel, dependent on coal for heat and power. And will further increase the cost of production so as to disable many coal mines in this field to compete with others, forcing them to close down or go into bankruptcy.

Furthermore, the 6-hour work day in coal mines is impracticable (to say nothing of the extra hazard to the mine worker the speeding up of operation will incur) and at many Alabama mines impossible, without incurring prohibitive expense in so operating, causing these mines to close and throw thousands of workmen out of employment and further increasing disemployment in this district. At all others the additional expense of operating on 6-hour work day would be great, and a detriment both to the operator and employee would ensue therefrom and an unconscionable burden of expense cast upon the consumers of coal thereby.

All told the Black bill (S. 87) would decrease rather than increase employment in and about the coal and ore mines, blast furnaces, and steel mills of

Alabama and work great damage both to the operator and employee of these industries.

Respectfully submitted.

J. Molton Smith, Jr., treasurer Aetna Coal Co., Little Gem Coal Co.; Horace Hammond, president Alabama By-Products Corporation, Hammond Iron Co.; C. F. DeBardeleben, president Alabama Fuel & Iron Co.; H. L. Badham, president Bessemer Coal, Iron & Land Co.; Herbert Tutwiler, president Black Creek Coal & Coke Co.; M. O. Travis, secretary Black Diamond Coal Mining Co.; M. E. Moor, agent Blocton Cahaba Coal Co., Little Cahaba Coal Co., I. O. Drewery Contracting Co.; W. R. Young, president Hills Creek Coal Co., Blocton Mining Co.; David Roberts, Jr., president Brilliant Coal Co.; C. L. Moss, president Moss & McCormack, Nauvoo Black Creek Coal Co.; T. S. Abernathy, president Paramount Coal Co.; W. Carson Adams, vice president Porter Coal Co.; C. F. DeBardeleben, Jr., president Red Diamond Mining Co.; H. P. Stith, president Republic Pratt Coal Co.; B. F. Roden, president Roden Coal Co.; A. R. Long, president Brookside-Pratt Mining Co.; R. T. Daniel, president Cane Creek Coal Mining Co., Franklin Coal Mining Co.; W. H. Crane, operator Beltona Mine; R. T. Daniel, agent Alta Coal Co.; H. T. DeBardelben, president DeBardeleben Coal Corporation, trustee; G. J. G. Nicholson, president Deepwater Black Creek Coal Co.; E. C. Morgan, president East Pratt Coal Co.; W. F. Cobb, general manager Galloway Coal Co.; B. R. Smith, vice president Southern Coal Co.; D. A. Thomas, president Montevallo Coal Mining Co.; Geo. F. Peter, president Southern Coal & Coke Co.; A. B. Aldridge, president Stith Coal Co., Southeastern Fuel Co.; L. E. Geohegan, vice president Gulf States Steel Co.; W. H. Oldham, district manager Republic Steel Corporation; Hugh Morrow, president Sloss-Sheffield Steel & Iron Co.; H. A. Berg, president Woodward Iron Co.

Statement of J. M. Manley, Commissioner, Industrial Association of Cincinnati

Having been denied the opportunity to present oral argument in opposition to enactment of S. 87, by Mr. Black, the Industrial Association of Cincinnati protests against the disproportionate allotment of time to proponents of this measure as compared with that fixed for hearing opponents of the bill, and offers its brief herewith.

The preamble of this bill declares an emergency and offers the 30-hour-a-week measure as a means of recovery. This declaration confines consideration of issues to those involving economic revival, to the strict exclusion of so-called "reforms" of a permanent nature. The merit of this proposal as a means of relieving the distress of the millions of our people who are unable to find gainful employment is, therefore, the only issue drawn before your subcommittee.

The effects of wide-spread unemployment due to world depression are apparent and unanimously recognized. The cause of that unemployment, however, arouses conflict of opinion even among those who view the scene from the same eminence, while the prescriptions advocated as remedies display even greater divergence of thought. However, with most economists, we conclude that the basic cause of most of our present economic ills is attributable to the World War.

The nations of the globe engaged in extravagant expenditures of their human and natural resources during that horrible conflict. Men and money were wasted prodigally. The men lost in battle have never come back to contribute their bit to the world's work and the goods that went to maintain the forces of destruction were consumed beyond salvage. We may very well characterize the World War as the personification of waste and extravagance—the offspring of mankind's grand-scale blunder.

Is the cure for extravagance more extravagance; or is it rigid economy? The only precedents that we have to look to for guidance in our present plight point unwaveringly to the strictest conservation of manpower and wealth as the sole means of recovery from the effects of waste.

The proposed measure prescribes waste as a cure for unemployment caused by waste. It commands extravagant production costs of an industrial world that is suffering from too much extravagance and is trying to apply the only available means of recovery—the practice of strict economy.

American industries are engaged today in a struggle not alone to regain losses in foreign trade but to maintain a competitive place in that field with industries of other countries. Their salesmen are confronted with competition from low labor cost products in every country they enter. Long hours of labor, low wage scales, and low standards of living are the cost factors arrayed by foreign producers against our American efficiency, mass production, and high standard of living.

The contest is principally technical in nature, but, at the moment, the technical genius of American manufacture has been met by the opposing forces and any added production cost must remove American-made products further from the field of active trade.

The arbitrary reduction of working hours required by this measure, with no compensating decrease in cost of production, but, on the contrary an increased cost, must necessarily raise the purchase price of manufactured articles and stifle trade; for we have learned by hard experience that high prices diminish sales volume in poor markets. We are not in a period of rising and expanding markets where it sometimes stimulates sales to increase costs and raise prices. Our position is such that any increase of costs is immediately reflected in purchase price by reason of narrow operating margins, and in turn the effect is recorded by lower sales volume.

Perforce our present problem is one of sales and price, with the cost of production governing the price and the wage scale ruling in a large measure all three.

It may appear that the manufacturer is given a preeminent place in the consideration of this problem particularly because the dependence of our national employment capacity upon the cost of production has been stressed. But any suggestion of bias is readily dissipated by noting the natural occupational divisions into which our population falls. At the time of the last census nearly half of those gainfully employed in this country were engaged in service occupations, with the remainder divided between industrial and agricultural pursuits, in decreasing numbers in the order named.

The dependency of that part of our population engaged in service occupations upon the two producing divisions of our people is manifest. New wealth entering the country in exchange for exports controls the margin between prosperity and depression for all, and the origin of these exports is at the hands of the two great productive groups of our people. Thus our Nation as a whole is dependent upon the competitive position of the industrial and agricultural articles of trade sent into world markest from farm and factory.

Turning from the broader to the more intimate aspects of the problem involved in the suggested 30-hour week, the difficulties, if less general, are more serious. The problem of enforcement alone would demand a vigilant personnel equal in numbers to our present standing army. This does not mean that we are a lawless people, but such a law would engender resentment against the enforcing authority in the same general way that the prohibition of alcoholic beverages encouraged violation rather than compliance with the law.

The same cooperation with the constituted authorities that has obtained under the codes of N. R. A. cannot be expected if this bill is enacted. To a great extent the enforcement of code provisions have taken care of themselves, so to speak, because both employers and employees have largely lent themselves to voluntary cooperation with the administration in a whole-hearted effort toward the goal of recovery. But mandatory reduction of hours, with its increased cost of production, accompanied by an increased cost of living serving as a wage cut by legislative enactment, will make partners in crime of employer and employee, in a joint effort to frustrate the operation of an arbitrarily drawn statute.

Industrial unrest is bound to result from the inequities that may be anticipated with the universal application of the 30-hour week. This bill establishes the wage presently paid as the minmum. The effect of such action would be to fix the present wage as the maximum, as the reduction in the manner of working hours would automatically operate as a wage increase, with the benefits therefrom speedily wiped out by the certain increase in the cost of living. Thus the worker now employed would suffer a lowering of his standard of living

with little hope of bettering himself. True, for the nonce, a greater number than are presently employed might gain employment but the process of leveling the standards of living can be no more than a palliative for our present distressed condition. It offers no substantial solution.

Enactment of this measure would encourage adoption of technical improvements in manufacture calculated to reduce personnel rather than to increase production. Heretofore, for the most part, labor-saving devices have been installed for the purpose of increasing output, but the objective under the 30-hour week, with present market conditions, would ever be to reduce the cost of production without perceptible increase in volume.

It seems useless to dwell upon the case of the less efficient worker. It is apparent that his difficulties would multiply to overwhelm him. Every effort would be made to eliminate him and shift his task to the shoulders of the more efficient. The engineer planning technical improvements, the accountant with his cost sheet, the fellow worker of superior skill would all be in league to eliminate the inefficient in the tightening processes of industry.

The small business of limited capacity is more apprehensive of the effects of this measure than the large industrialist. The small scale manufacturer in this country maintains his position by ingenious design, compact organization, low overhead, and, largely through cooperation of employees. The burden of any increase in production cost falls very heavily on the small producer as he has not the means of distributing the cost load that are available to his neighbor operating on a mass production basis.

In summary, we protest against the adoption of this measure as a basically unsound interpretation of economic rule and practice which can but result in adding to the burden of a distressed people to the defeat of its express purpose and the confoundment of the administrative efforts toward effecting recovery.

Statement of Charles Wesley Dunn, Associated Grocery Manufacturers of America, Incorporated

Senate 87, the so-called "Black 30-hour bill", is entitled "A bill to prevent the shipment in interstate commerce of certain articles and commodities, in connection with which persons are employed more than 5 days per week or 6 hours per day, and prescribing certain conditions with respect to purchases and loans by the United States, and codes, agreements, and licenses under the National Industrial Recovery Act."

It provides "That no article or commodity shall be shipped, transported, or delivered in interstate or foreign commerce which was produced or manufactured in any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment situated in the United States, in which any person, except officers, executives, and superintendents, and their personal and immediate clerical assistants, was employed more than 5 days in any week or more than 6 hours in any day: *Provided*, That upon the submission of satisfactory proof of the existence of special conditions in any industry included herein, making it necessary for certain persons to be employed more than 5 days in any week or more than 6 hours in any day, the Secretary of Labor, or his duly selected representatives, may issue exemption permits with respect to such persons, relieving the employer from the provisions of this act with reference to such persons."

Hence the bill is designed to bar the channels of interstate commerce to products manufactured by industrial labor working more than 6 hours per day, 5 days per week (except as exemptions may be granted by the Secretary of Labor), and to forbid Government purchases from, and Government loans to, concerns working employees more than the permitted hours per week.

It appears to be the theory of the proponents of this bill that by such a rigid limitation of working hours jobs would be created for substantially all employable persons now unemployed, that additional purchasing power would be created, and that the burden of unemployment relief would be distributed over the buying population. But this theory ignores sound economic principles and the practical results of such a program.

Unit costs of production must necessarily increase, whether existing pay rolls are spread over a greater number of persons or whether present wage rates are increased to provide the same weekly earnings for persons now employed, as well as new employees. In the former case additional costs or

superintendence, wastage, spoilage, breakage, reduced production due to breaking in new employees, larger working capital requirements, and other factors will necessarily reduce output per man-hour, while any addition to hourly rates of pay will add the full amount thereof, plus added costs, to the unit cost of product.

So much of the additional cost as can be passed on in the price of the finished article will be passed on; but the increased selling prices will restrict the market demand and lower the volume of production, thus reducing the demand for productive labor. Moreover such widespread increases in prices will discourage buying by the general public and may, indeed, result in such general discontent with currently rising prices as to bring on a buyers' strike.

Discontent among workers over reduced hours, restricted opportunity for productive labor, and declining purchasing power of the wages they receive may be expected to add to, rather than alleviate, social unrest.

The food manufacturing industry, and other industries engaged in the processing of agricultural products, would suffer especially adverse effects if this bill were to become law. The Agricultural Adjustment Administration is bending every effort to bring about parity between the price the farmer receives for his product and the price he pays for the things he buys. The effect of the Black bill would be to offset in large measure the results thus far achieved, to necessitate higher processing taxes, and to increase the price the consumer must pay for food and clothing.

Under a set restricted schedule of working hours, the great mass of industrial workers would have little chance of augmenting their incomes and must necessarily restrict their purchase to the strictest necessities, with the result that many industries now producing articles which do not fall in that category must curtail production and dismiss employees.

Industries engaged in interstate activities would be placed at an unfair disadvantage in competition with industries engaged wholly in intrastate commerce, which would not be subject to the terms of this bill. Export trade would be placed at a similar disadvantage against foreign competition.

The fundamental vice in this bill is that it seeks to cure unemployment by reducing production rather than increasing it, in the mistaken belief that purchasing power can thus be increased. The exact contrary is true. Purchasing power can only be increased by enlarging the total production of useful goods and services. Increasing costs and reducing output create a vicious spiral in the wrong direction, which no amount of good intentions can overcome.

For these and other reasons the undersigned considers this bill to be uneconomic and unsound and respectfully urges that it do not pass.

Statement of George J. Earl, Jr., Representing the New York and New Jersey Branch of the National Metal Trades Association

The New York and New Jersey branch of the National Metal Trades Association, whose membership includes manufacturers engaged in the production and manufacture of various metal products in New York and northern New Jersey, respectfully protests against Senator Black's bill, no. S. 87. This measure would require, among other things, that certain persons employed by such manufacturers in the manufacture of articles or commodities, which are to be shipped in interstate or foreign commerce, or to be sold to the Federal Government or agencies thereof, or to contractors on public works, shall not be employed more than 5 days per week or 6 hours per day.

It is urged that this bill should not be enacted for the following, briefly stated, reasons:

1. The measure contemplates the exercise of power not possessed by Congress

Authority for this measure is apparently predicated upon the commerce clause of the Constitution. It is contended that it cannot be sustained under that clause, because it is an attempt to exercise power over and regulation of relations and operations which are not subjects of interstate commerce. It has been held by the courts that manufacturing is not commerce within the purview of the interstate commerce clause and that Congress is without power to regulate the same. Congress, it has also been held, has no power to regulate hours or

wages of employees processing products sold in purely intrastate commerce and by an intrastate manufacturing plant.

The enactment of such a law would be an invalid interference with the freedom to contract. It would arbitrarily and unreasonably limit and restrict a person in making a contract for his services under such terms and conditions that he may deem proper. In effect it reflects upon the competency of a person to make a contract involving his labor. The earnings of a worker would be limited under this bill.

The measure would also amend every code and agreement under N. I. R. A. without the consent of the parties thereto, by requiring that the employer shall not employ certain persons more than 5 days a week or more than 6 hours in any day, and by increasing wage scales.

2. INSTEAD OF PRODUCING THE TYPE OF ECONOMIC READJUSTMENT REFERRED TO IN THE PREAMBLE OF THE BILL, ITS ENACTMENT WOULD CREATE AN ECONOMIC MALADJUSTMENT, INCREASE UNEMPLOYMENT, AND DIMINISH PURCHASING POWER

We cannot ignore, except to our hazard, that fundamental principle that the relative utilization of land, equipment, and labor determine in a large measure our economic conditions and standards of living. To restrict, by arbitrary and unsound measures, the utilization of any one of these factors, throws out of balance the others and reflects unprofitably in the standards of living and general economic conditions.

It is the demand for goods or production that determines the degree of utilization of land, equipment, and labor. Increased volume of production is necessary to aid reemployment and for which a flexible work week is essential. Demand for production will vary according to the price of the goods, which must be based upon the cost of production. Should the price be unattractive or even beyond the ability to pay, there will result a diminishing utilization of labor and the other factors of production.

The prospective purchaser's confidence in future economic conditions is also an essential factor in the demand for goods. This has been aptly illustrated in this economic depression particularly in the durable or capital goods industries. The price of durable goods must be attractive to stimulate the market for such goods, or otherwise the prospective customers may continue to defer, as they have been doing, the demand therefor. A great part of the idle has come from the durable-goods industries. Increase in the demand for these goods will aid in absorbing the idle in private employment. But there has not been the desired and necessary increase in the demand for durable goods. Stimulate the demand for such goods at attractive prices and a desired dent will result in the present unemployment.

Mr. John W. O'Leary, chairman of the Code Authority for Machinery and Allied Products Industry (a durable-goods industry) speaking at the public hearing on employment provisions in codes before the National Industrial Recovery Board on January 30, 1935, stated:

"There has been as yet no significant increase in reemployment in either the durable-goods industries as a whole or that portion of it represented by codes of the machinery and allied products group, although every effort has been made to stimulate employment in these industries. The aggregate expansion of employment within the durable goods industries since July 1933 has been 12 percent. Deducting the employment created by Government-financed undertakings, this increase of employment would be reduced to less than 1 percent."

The bill contemplates that the wage rate in effect on the date the bill becomes law shall not be reduced. It is submitted that this means an increase in existing unit labor costs, increased prices, a lessened demand for goods, and consequent diminished employment of labor. It also establishes an uneconomic theory of increasing prices for goods before there is a demand for the goods.

Weekly earnings of workers will also be limited under this measure, as well is limited purchasing power.

By limiting the daily or weekly hours of labor in manufacture, the volume of production will be decreased per day or week, with an increase in the unit costs. This is also especially true where the amount of business does not warrant utilization of idle machinery and where usable facilities are not available.

There has been no actual proof or sound evidence offered in support of the bill that it will "provide a fairer and more nearly balanced income, put idle machines and people to work, increase purchasing power, and stimulate production to capacity, and promote the happiness and comfort of the people".

3. THE EXEMPTION PROVISION WOULD WORK A HARDSHIP, CREATE UNCERTAINTY AND DELAYS, AND ESTABLISH EXPENSIVE AND PROBABLY INTRICATE PROCEDURE

The bill provides "that upon the submission of satisfactory proof of the existence of special conditions in any industry included herein, making it necessary for certain persons to be employed more than 5 days in any week or more than 6 hours in any day, the Secretary of Labor, or his duly selected representatives, may issue exemption permits with respect to such persons, relieving the employer from the provisions of this act with reference to such persons".

It will be observed at the outset that proof must be shown "of the existence of special conditions in any industry", and not in an individual establishment, before an exemption may issue.

But let it be assumed that the quoted language applies to an individual establishment. What would be the result?

The applicant for the exemption would be obliged, at the expense of time and money, to inquire as to the character of proof desired; prepare the data; probably appear before the Secretary of Labor or his delegated representatives, and argue the merits of his application; and then await the decision of the Secretary of Labor or his representative, who alone is the sole judge in determining whether "satisfactory proof" has been produced to warrant an exemption permit or a permit to work.

What is an employer to do in an emergency situation which may necessitate employing, without delay, persons in excess of the required hours? Under the bill he would have to pursue the procedure outlined for securing an exemption permit. He dare not take upon himself to proceed, except at the risk of having his application denied and subjecting himself to penalties.

Assume the case, which does frequently occur, where the employer for various reasons, including breakdowns in equipment, illness and accidents to employees, other accidents and production elements, cannot reasonably anticipate delays incident to particular jobs, and when it will become necessary to have employees work in excess of the required hours. Many contracts contain a stipulated time of delivery of goods with penalty clauses for excess time. It would be unfair and unreasonable in such cases for the employer to be required to apply for the exemption permit, in order to assure himself that he would not have violated the act by proceeding without such permit.

4. IF CONGRESS HAS THE POWER TO REGULATE HOURS AND WAGES OF PERSONS EMPLOYED IN THE MANUFACTURE OF PRODUCTS TO BE SHIPPED IN INTERSTATE OR FOREIGN COMMERCE, UNCERTAINTY AND DIFFICULTIES WOULD ARISE WITH RESPECT TO THE RELATIONS OF THOSE ENGAGED IN PROCESSING PRODUCTS FOR SHIPMENT IN PURELY INTRASTATE COMMERCE.

It is submitted that Congress does not possess the power to regulate the hours and wages of persons employed in the manufacture of products to be shipped in purely intrastate commerce. The assumption of the exercise of power to so regulate those making products for interstate commerce, would unquestionably result in turmoil in manufacturing and employment relations among those employed in processing the two types of products. Not alone would unsettled employment relations develop, but also unnecessary and unreasonable competition in the labor market among employers and workers. Unsettled conditions may reasonably arise among those employed in the same plant where it is processing products for shipment in both interstate and intrastate commerce. Such a law would restrict the manufacture of goods for stock or inventory, for the goods cannot be marked for shipment in interstate or intrastate commerce until definite orders are received.

5. ADMINISTRATION WOULD BE COSTLY AND TEND TOWARD BUREAUCRACY

To effectively carry out the provisions of the law, would necessitate an elaborate policing system and establishment of an extensive machinery, at a huge cost to an already overburdened tax-paying public.

6. ADDITIONAL MATTERS WHICH SHOULD BE CONSIDERED

Industry is in no position to absorb the increased cost incident to the proposed law. Attempts to pass such increase to the consumer would result in sales resistance and consequent lessened demand for goods, especially those not imperatively needed.

Employers who have long-term contracts based on a 40-hour week production schedule as allowed by their codes, and with little, if any, margin of profit, would sustain serious losses by enactment of the bill, not alone due to the effect on hours and wages, but also because of the increased material prices to be purchased for use in such contract.

Concerns which have been staggering or sharing employment would be forced to curtail forces.

The measure ignores the fact that not all mechanical operations can be divided among employees. It is also difficult for one mechanic to follow through or pick up an operation where another has left off.

No distinction is made between continuous and noncontinuous processes.

Foundries could not be profitably and practically operated on a 6-hour day basis. Heats cannot always be readily timed and limited to a 6-hour day.

Employers will be constantly at the peril of being subject to penalties in attempting to plan their daily and weekly production schedules. Continual reorganization, readjustment, and disorganization of methods are bound to result.

Workers engaged in manufacture of products for shipment in interstate commerce, whose hours and earnings are proposed to be limited, would bear the burden of the experiment, while those in other vocations and trades would not be so restricted in working time or earnings.

Domestic concerns would be placed at a disadvantage with foreign competitors.

Our members, since the inception of the existing depression, have been exercising means and measures, at considerable sacrifice, to aid in reemployment and increasing purchasing power. They feel, however, that the provisions of the Black bill are ill advised and will not solve the unemployment problem.

STATEMENT OF HENRY STUDE, AMERICAN BAKERS ASSOCIATION

We wish to register, on behalf of the baking industry, our strenuous objections to bill S. 87—the so-called "30-hour bill"—which is now before your subcommittee.

We will say, first, that we are intensely in sympathy with what we know is the sincere purpose of the proponents of the bill—to increase employment and purchasing power and thereby to effect that general improvement which is called "recovery." But we submit that the bill, as law, would not only fail miserably to accomplish that purpose, but would deal a possibly fatal blow to recovery.

Serious as are the general objections to the bill, they are not one-half so serious as are the objections which would arise from application of its provisions to the baking industry, with which we are particularly concerned.

In the first place, the baking industry already has, to the limit of its resources, contributed to employment and purchasing power. On July 9, 1934, the baking industry became subject to a code of fair competition, under which it has operated to the present time.

The Executive order approving the code required a report on the effect of the code labor provisions. Last week the Code Authority reported to the President on the basis of a Nation-wide survey which showed, as of September 1934, that:

4,095 Bakeries in September 1934 employed	98,333
The same bakeries in March 1933 employed	77,868
This shows an increased employment of	[1] 20,465
These bakeries in September 1934 had a weekly pay roll of	$2,416,669
These bakeries in March 1933 had a weekly pay roll of	1,792,811
This shows an increase of	[2] 623,858

It is too much to assume that, having shouldered an increase in pay rolls of 34.7 percent by September 1934 (with still greater increases as code enforcement is completed), the industry can now reduce its hours to 30 and still survive.

It may seem absurd to infer that an industry, as such, might not survive. But the baking industry is subject to unusual forces. The baking industry

[1] Increase of 26.3 percent.
[2] Increase of 34.7 percent.

does something for the housewife which she can do, though not as well, herself. And she does it herself, whenever for any reason it becomes desirable for her to do so.

She does it whenever the prices of the industry's products become too high for her liking.

When she buys the product she pays for the labor of making it. When the price of that labor becomes so high that it is no longer worth while for her to pay for that labor, and it becomes, instead, worth while to use the labor of her own hands in the making of the product, she stops buying the product from the baking industry and makes it in her own kitchen—thus having no further need for either baking industry employer of baking industry employee. A loaf of bread is not a pair of shoes. She need not buy it, for she can produce it herself—thus avoiding, not only increase in wages but all wages.

In no other industry have we so perfect a possibility of killing the goose that lays the golden eggs of employment and purchasing power.

This ever-present factor is accentuated by the low per-unit price of the industry's products and the unusually large percentage of the sales dollar which goes to wages. This amounts to from 25 percent to 40 percent, depending upon the type of product and the point of purchase.

Because the product sells for but a few cents and because it is so close to the consumer, she—the consumer—is especially sensitive to any change in its price. That sensitivity already has served to prevent recoupment of increases, not only in labor costs, but in all costs borne by the baker. The baker has paid increased material costs and heavy processing taxes, to aid the farmer under the Agricultural Adjustment Administration program. He has paid increased labor costs under the N. R. A. program. And in great degree he has had to bear these entirely alone, for the housewife, standing at the other end with her oven door figuratively open, does not encourage an invitation to participate in these contributions.

When the baker receives his materials they have already passed through the hands of one or more processors. These materials carry with them the conversion charges (mostly labor) plus transportation and taxes. Every barrel of flour in a Washington bakery carries a fixed charge of $3.66. This is made up as follows:

Hauling box car to bakery	$0.20
Freight Kansas City to Washington	1.05
Containers (cotton sacks)	.25
Millers conversion charge (less byproducts)	.30
Freight wheat fields to mill	.48
Processing tax	1.38
	3.66

All other materials used by the baker are subject to similar fixed charges which the baker must assume and pass on to the consumer. Increase each item by the application of the 30-hour bill. Then add the baker's increased labor cost (now 25 to 40 percent of his income) produced by the 30-hour bill, and you produce a prohibitive cost.

The industry is faced, not only with a transfer of bread baking to the home kitchen, but with an absolute and extensive decrease in total bread consumption. Competition of other foods and changes in living habits have brought this about. The result has been to leave the industry in a seriously weakened condition—a condition that needs only a 30-hour week to perfect the destruction.

Employers are on the ragged edge. The marginal operator, because of universal increases in costs which far outdistance increases in income, has become the rule rather than the exception. This bill, if enforced, would produce business fatalities which would by far outweigh any immediate benefits to employees of employers whose resources might enable them to stand the blow. We speak from intimate knowledge when we say that fatalities in the baking industry would be tremendous. Reducing the number of employers is not an effective way of getting more persons employed. It is quite possible that the reaction of this drastic measure might be a reduction, rather than an increase, in aggregate employment. It is certain that in many industries the establishments which would be left standing by this bill would not completely absorb the former employees of bankrupt competitors.

The baking industry is characterized by a plentitude of marginal operators, to whom the bill would be fatal. Perhaps in the long run it is economic that they should be eliminated. But their elimination at this time would not be good for employment.

The rigidity of a 30-hour week would work a particular hardship on the baking industry. Baking is a domestic art. As such it is characterized by waiting time, by slow, careful handling of ingredients, by special skill—by a thousand and one baking peculiarities and delays. When the dough is once mixed it must go through its schedule of fermentation, proofing, baking, cooling. It cannot be stopped and started. It cannot be delayed or accelerated.

The baking industry deals in a perishable food. People eat every day and want to buy their bread every day. Industries dealing in nonperishables can adjust their operations to a 5-day week by closing on Saturday and Sunday. We cannot. To provide for Sunday's supply of bread we have a peak load on Saturday.

The baking industry consists of approximately 32,000 units. Between 20,000 and 25,000 are small local retail enterprises employing two or three people. Upon the passage of this bill these enterprises would immediately discharge their two or three employees, convert their business into family affairs, doing their own work, thus immediately defeat the purposes of the bill.

For all these reasons we register with you our strenuous objections to bill S. 87.

STATEMENT OF THE MANUFACTURERS' ASSOCIATION OF CONNECTICUTT, INC., OF HARTFORD, CONN.

QUALIFICATION

The Manufacturers Association of Connecticut, Inc., is an organization composed of practically all the important manufacturers, both large and small, in the State of Connecticut. The organization was founded in 1815, and regularly undertakes comprehensive studies on legislation affecting the industries of Connecticut.

REGRET NONAPPEARANCE

It is with extreme regret that the Manufacturers Association of Connecticut learns through a wire received from the clerk of the subcommittee on the 30-hour week of the Labor Committee that, because of the large number of requests for hearings, the association's request could not be met. Consequently, the suggestion of the clerk of the subcommittee that a brief be filed is complied with.

OBJECTIONS TO THE PROVISIONS OF THE BILL

We believe that the bill is based upon a false assumption that unemployment will be materially minimized if it can be spread by means of a compulsory maximum weekly hour legal stipulation. The bill overlooks the fundamental precept that there are not even now a sufficient number of capable operatives for each line of productive processes of the manufacturing industry. The proposal assumes that any man is capable of performing any task which might be available. It ignores entirely the fact that there are many degrees of skill required in each individual industrial establishment and in industrial establishments as a whole.

Prior to the depression, the work week varied from 48 to 60 hours, depending upon the type of industry. Under the code system, the average is slightly above 40 hours. Consequently, we have a reduction of from 15 to 35 percent in effective skilled workers effort. Many of those skilled workers available to manufacturing industry in 1920 prior thereto have gone in to other lines of endeavor and have forever forsaken factory employment.

Prior to the depression, apprenticeship training systems were in effect to a greater, or to a lesser, degree in practically all manufacturing establishments. The operation of the codes has made the employment of apprentices unprofitable and the system which is now being put into force by the United States Department of Labor, in accordance with the recommendations of its Apprenticeship Committee, is causing so much apprehension as to the future control of apprentices that apprenticeship systems are gradually being abandoned.

It is our firm belief that we are approaching a period in American history where there will be a serious lack of available operatives in the skilled and semiskilled groups. Such a condition will certainly result in an unduly high scale of wages, which will increase costs so as to decrease consumption and, with the inevitable lowering of United States import rates under the Reciprocal Tariff Treaty plan, we may look forward to a really disastrous period in American industry.

The great burden of inequalities as established by a maximum work week of 30 hours will fall most heavily upon the unskilled and semiskilled, since wages would inevitably be decreased in these classes and since their cost of living must assuredly rise.

Mechanization of industry, it is claimed, has caused a fairly large percentage of our unemployment. If further mechanization is not desirable, a maximum work week of 30 hours should not be established.

The answer of proponents of legislation of this type to many of the arguments presented by the opposition is that no difficulties will arise because of the ease of establishing shifts in practically all types of industry. In this contention, we find another great fallacy, because the ability to run shifts depends upon available skilled workers. Shifts cannot be made to conform to sudden fluctuations, undeterminable in advance as definite trends. Shifts can be run only if they are run regularly and proportionately. Proportionate operation under a 30-hour limitation would mean reduction below 30 hours to a point where income would not be sufficient to constitute a living wage.

In all that we have said, we are fully aware that the drafters of the bill, apparently unfamiliar with the manufacturing industry, have felt that they have solved the whole situation in the wording of section 1. Even if the plan for permitting flexibility were workable, would the workers of the country desire to have placed in the hands of one person, or anyone designated by that person, the power to attempt to lengthen the work week? When we arrive at a period of greater productivity, the number of legitimate requests for exemption would exceed the number of cases in which requests were not asked. If legitimate and meritorious requests were not honored, the provision in section 1 is not an honest one. If they are honored, the promise of a 30-hour week is not an honest one. In any event, the bill provides for a bureaucracy of the vilest form which can crush industry and its workers.

Equally vile is the invoking of the power of Government purchases—a method used coercively too often in connection with the National Industrial Recovery Act—a form of coercion unquestionably never intended by those who voted

It is the hope of the Manufacturers Association of Connecticut that those members of the Senate and House of Representatives who honestly have the welfare of the workers, the managements, and the investors in American industry at heart will scrutinize carefully the really disastrous effects which will attend any attempt to establish a permanent maximum hour limit on the industries of the several States.

STATEMENT OF JOHN W. O'LEARY, PRESIDENT MACHINERY AND ALLIED PRODUCTS INSTITUTE ON THE BLACK SENATE BILL 87, THE THIRTY-HOUR WEEK BILL

The Machinery and Allied Products Institute is a federation of 58 trade associations representing manufacturers throughout the country of machinery and allied products. The appended list of member organizations of Machinery and Allied Products Institute (exhibit A) evidences at a glance the wide scope of the machinery industries and the diversification of the products manufactured. Producers of machinery and allied products, numbering approximately 1,300 established firms and corporations throughout the country employ, in normal times, in excess of 300,000 workers in the production of machinery, the selling price of which in 1929 exceeded $1,000,000,000. These industries, an important unit in the capital goods field, have felt the depression with unusual severity.

Since 1930, purchases of machinery have amounted to only about 15 percent of the normal demand. Of the employable Americans who are at present unemployed, it is reliably estimated that 50 percent should normally be employed in the capital goods industries. Too great an emphasis cannot be placed on the

economic necessity of a sharp distinction and separate treatment of the capital goods industries. Such industries commonly have two characteristics: first, a relatively large capital investment in proportion to sales, and second, need for a high proportion of skilled workers. Most of these industries are accustomed to cyclical and some of them to seasonal variations in the demand for their production.

It is to be presumed that employers in these industries have learned how to adjust their prices so that if efficient they may reasonably count upon a profitable business based upon the average volume that they are able to attain. Similarly, they have doubtless learned how to conserve the essential parts of their working forces in their normally less productive periods.

However, a depression extending over a period of 5 years, and of an unparalleled intensity, has stirred these industries to their very foundations. Almost without exception these employers have been obliged to maintain plants that are vastly larger than necessary for producing a small fraction of capital goods required (about 15 percent of normal), and almost without exception these employers have found it necessary to retain a larger number of employees than is justified by the demand for goods.

It is characteristic of the industries in the machinery and allied products field that sweat-shop conditions have never prevailed, as to hours of work or rates of pay. The need for such a high proportion of skilled laborers in the manufacture of the type of goods produced by these industries has kept wages at levels out of all proportion to the levels of many other industries. The continuous employment of 50 percent of the number of 1929 workers, in the face of a sales volume of only 15 percent of the 1929 volume was maintained at wage levels which were lowered but slightly, subsequently increased, and at the present time estimated to be 5 percent in excess of the 1929 peak.

It is readily apparent from these circumstances that manufacturers of machinery and allied products have been able to contribute its full share in the battle against unemployment at a time when in many other industries declining sales volume forced early and proportionate curtailment of employment and rapid decline in wage levels.

The objective of recovery is employment of the idle. Employment in capital goods industries is possible only as their products can be sold. Such goods can be sold only on the basis of prices that will create demand; but demand for capital goods, durable in character, has been and can be deferred. The price the buyer will pay for a product, the purchase of which can be deferred, determines the maximum price the seller can obtain. Ability to defer demand constitutes ability to shop closely and place pressure on prices. This industry has lost a large portion of its working capital through years of depression in which income failed to meet out-of-pocket operating expenses, let alone taxes, depreciation, or return on capital investment. The price at which its products can be sold determines the cost that it can incur. *Present costs* which have failed to move goods and to create employment must be *reduced* to levels that will move goods and provide employment.

These principles the Machinery and Allied Products Institute and its underlying membership have long urged as being vital and necessary to any appreciable recovery in the capital goods industries. They have been repeatedly presented to the National Recovery Administration, under which emergency organization regulation of hours and wages of industry, have been introduced through codification. Because this bill now before the Senate (S. 87, Black) proposes to make permanent through legislation the regulation of hours of industry and to still further and substantially shorten the work week, it seems particularly appropriate that the experience of machinery and allied products manufacturers under the National Industrial Recovery Act should be brought into discussion in order that the experience gained under the National Industrial Recovery Act may guide and benefit consideration of proposed legislation on the subject.

In our deliberations with the National Recovery Administration we were confronted with the "purchasing power philosophy." Every effort of the Administration during those early days was focused on the problem of restoring commodity price levels to or toward those prevailing in 1926, in part as a form of debtor relief and also because of a sincere belief that higher prices almost regardless of how achieved, spelled prosperity. The proponents of that philosophy may have forgotten that a distorted, forced lift in commodity prices operating (through codes) disproportionately on different industrial products, served to produce disequilibrium rather than equilibrium, thus retarding rather than accelerating the increased production of goods necessary to achieve the objective

of a more abundant life. Restoration of economic balance, a very different thing, provides through an increased demand a sound basis for attaining that end.

We immediately recognized the difficulties which would confront this particular industry on following such a "purchasing power philosophy." Accordingly, we presented our problem to the National Recovery Administration and urged a separate consideration of the capital goods industries in the fixing of hours and wages.

Our viewpoint was largely disregarded in the limitations established for the machinery industry as finally fixed in its code. Forty hours was established as a maximum work week. Rigid working conditions were established within this maximum. There has been as yet no significant increase in reemployment in either the capital goods industries as a whole or that portion of it represented by manufacture within the machinery and allied products industries, although every effort has been made to stimulate employment in these industries. The aggregate expansion of employment within the durable goods industries since July 1933 has been 1 percent. Deducting the employment created by Government-financed undertakings, this increase of employment would be reduced to less than 1 percent. (Exhibit B.)

During this period as a whole our industry has operated at a loss. It is too early as yet to gage complete results for 1934, but even during the rapid upward surge of the first half of last year, deficits were numerous, and on net balance total profits inconsequential. There is a real possibility that when results for the last half year, in which the business volume was materially lower, become available, one more 12-month period of operations without profit will be added to the series of similar years which have preceded it.

During every depression new enterprise hesitates, existing ventures falter, and the demand for new durable goods diminishes. Prospective customers can choose to turn to existing services or to continuing the operation of existing machinery if the first cost of new equipment is considered to be too high. The replacement of obsolete facilities and the opening up of new ventures will be undertaken only in anticipation of a profit. Long-time credit, at reasonable cost, is essential to the sale of capital goods, but long-time credit at reasonable cost is not alone sufficient. To stimulate a speculative forward-looking demand for durable goods, they must be procurable at prices sufficiently low to make probable a profit in their future use. As I have stated earlier, the price at which our products can be sold determines the cost that may be incurred. Cost consists primarily of labor, materials, taxes, and depreciation. Losses have been such that depreciation has been merely accrued rather than actually earned. Taxes are a fixed charge beyond the control of management; increasing in amount and inevitably subject to major future increases due to such increased national debt as may be created by government expenditures in excess of income. Labor and materials represent remaining major items in cost. It is possible through elaborate statistical computations to estimate the total labor element entering into materials, but such estimates carried back through a long series of prior processes, accumulate along the way such elements of error that the results, no matter how elaborately portrayed in detail, deserve no other characterization than the blunt term of constituting statistical absurdities. In actual fact material costs to an indeterminate but thoroughly dominant extent represent wage payments made through a long series of prior processes.

Since lower costs are necessary in order to permit lower prices for capital goods (the profit element even today being essentially absent after two and a half years of so-called "economic recovery"), and since in the truest and broadest sense costs are predominantly labor costs, reemployment in this industry cannot be achieved until unit labor costs are reduced. Unit labor costs must be reduced and yet the industry must pay and labor should receive a living wage even under current operating conditions. The only way in which living wages can be maintained and unit labor costs reduced is through a lengthened work-week. Labor cannot eat wage rates but must live on the contents of the pay envelope. Codes which have shortened, or legislation which if enacted will shorten hours to such an extent that a living wage necessitates 1929 wage rates in the middle of a major depression with 10,000,000 men idle and a national income not greatly in excess of half of the predepression volumes cannot and will not sell goods. Furthermore, restrictions upon employment of labor so rigidly drawn with respect to their provisions that in actual practice companies cannot even approximate the maximum hours permitted, will not fill pay envelopes.

Rigidity in hour provisions such as is in the measure under consideration has not been practical in industries producing nonstandardized products manufactured to order. Only a small percentage of the products of the machinery industry can be built for inventory in advance of sale. Customers' specifications are presented; designing, estimating and production must follow. In the interest of recovery it is essential therefore that labor provisions be flexible. In the servicing of other industries with the machinery which they require for their production delay in delivery may often create unemployment in the purchasing industry.

Production of durable goods decreased 63 percent as compared with a 17 percent reduction for nondurable, essentially consumers goods, from 1929 to November 1934. Production of durable goods decreased 45 percent as compared with an 18 percent reduction for nondurable goods, as between July 1933, the last precode month, and November 1934. Durable goods had regained, as of November, but 20 percent of the ground lost during the depression, as contrasted with 40 percent for the essentially consumers goods group. (Verification of these statements exist in the Federal Reserve Board Indices of manufacturing production in the United States.)

This drastic decline in the production of durable goods has naturally caused a huge decline in employment in these industries.

Unemployment in the United States during November, as estimated by Col. Leonard P. Ayres, totaled 10,845,000. Of this total 1,385,000, or, but 13 percent were found in consumers goods industries.

Four million five hundred eighty-six thousand, or 42 percent, were individuals normally employed in service industries, the bulk of whose reabsorption into productive employment concededly depends upon recovery in the durable goods industries.

Four million eight hundred and seventy-four thousand, or 45 percent (the largest unemployed group), of the total are concentrated in the depressed durable-goods industries.

Furthermore, only nine out of each hundred persons normally employed in consumers goods industries are without work compared with twenty in the case of service industries and forty-nine out of each hundred in durable-goods industries.

The percentage of unemployed to total normally employed (based upon the Federal Census of 1930) is more than five times as great in the durable-goods industries as in the consumers-goods group.

Conditions in our industries as a whole may be graphically portrayed through the chart which I now submit (Exhibit C), showing the actual experience of a typical member company of substantial size operating under the codes, which govern the machinery and allied products industries.

In December 1934, average man-hours worked weekly in this company are but 34 percent of the 1929 average. Heavy expenditures financed by the Public Works Administration account for the bulk of the gain from low point of 12 percent; actual industrial demand for this company's products, upon which it must rely as orders financed by the Public Works funds are completed, still remains fairly close to depression lows. In this particular segment of the machinery industry unemployment is essentially frozen at high levels.

Actual hourly wages averaged 61 cents in 1929. The lowest wage scale paid during the depression averaged 46 cents. Average rates of 64 cents in December 1934, were 5 percent higher than during the prosperity year of 1929. At no time during this period did wage rates decline as rapidly as cost of living; at the low point in wage scales the purchasing power of an hour's labor was greater than in 1929—in December 1934, it was 30 percent greater.

But labor may well remind us, and we will agree, that we ourselves have stated that labor lives, not on wage rates, but from the proceeds of pay envelops. In 1929 the worker averaged 51.4 hours per week of employment. This momentarily dropped to a fraction below 30 at the depth of the depression, and at the period of seasonal dullness, in July of 1932. From this point the weekly hours increased to 44.6 in July of 1933. Then came the P. R. A. and the codes, and in December 1934 the aveage workman was employed 34.8 hours—a decrease of 32 percent from 1929 and 22 percent from the level of midsummer of 1933. In actual practice operations of this company are such that a 40-hour code cannot give to labor more than a 35-hour week.

The average pay envelop contained $32.21 in 1929. It touched a low point of about $17.00 during the worst of 1932—from that point the trend was irregularly upward, crossing $20.00 in June of 1933. The December 1934 total was moderately higher at $22.46. To pay that wage, however, with the worker employed 22 percent fewer than the precode, and 32 percent fewer than the 1929 average hours, wage rates stand above 1929 levels at a time when the cost of living is lower. The worker receives and the company pays per unit of labor performed, a purchasing power 32 percent above that in 1929. The weekly pay envelop is 30-percent thinner in dollars, and even with the lower cost of living, purchases 11 percent less. This, however, is but part of the story. It is the story of the worker with a job.

Even with the temporary fillip of large public works financed orders, less than half as many workers are employed. The Government is indirectly financing the employment of a large proportion of the workers on pay rolls. It is likely that the Government is supporting, through one form of relief or another, a large proportion of those former employees, to whom the company cannot give employment. The company's unit labor costs have so increased the cost of its product that its customers are deferring purchases—and the company is operating at a deficit, disregarding entirely the item of fixed charges.

We submit that in such a case the codes under which we operate have retarded rather than facilitated reemployment. They have reduced the volume of production, the increase of which the Administartion has recently stated holds the greatest hope for reemployment.

The Bureau of Labor Statistics, in its wages and hours comparisons, lists data for 34 specific industries. These figures do not extend back to 1929. We have compared the movement of the B. L. S. figures with those of the National Industrial Conference Board for the overlapping period. The correlation is sufficiently close to warrant certain conclusions, drawn directly, of necessity, from the Conference Board figures, but substantiated for the overlapping period by those of the Bureau of Labor Statistics. These conclusions follow:

(*a*) Wages in the durable goods industries are substantially at 1929 levels.

(*b*) Hours of actual employment have been reduced from 49 in 1929 to 34 in November 1934—a decrease of approximately 30 percent.

(*c*) Average weekly earnings have decreased from approximately $31 to $21.

In spite of prosperity wage rates, actual weekly pay has been materially reduced, and reemployment lags. What is more, reemployment must lag so long as unit labor costs in the industry are so high that customers are both unwilling and unable to buy its products.

I submit to you, Mr. Chairman, the statistical table (exhibit D) drawn from both the Bureau of Labor Statistics and the National Industrial Conference Board, which validates each conclusion I have drawn.

Facing facts is not always pleasant. We should always strive toward ideals, but to reach them we must be realistic. After over a year of earnest endeavor to substitute for real experience a new philosophy, we are forced to the conclusion that if we are to again employ those who are idle through no fault of their own, we must recognize that:

Capital goods offers the most fertile field for such employment.

Employment in capital-goods industries is possible only as its products are sold.

Such products can be sold only on a basis of prices that will create demand.

Prices must be based on cost of production.

Employees should be afforded an opportunity to earn a living wage.

To produce goods at a price which will create demand, an increased volume of production is essential at a unit labor cost which, without reducing the workman's total earnings below a living wage, will result in a price for the product that will make it salable.

To accomplish this result will require, whether we like it or not:

(1) The lengthening of the maximum work period;

(2) The creation of working conditions so flexible as to permit the maximum work period to be realized in actual practice; and

(3) A wage at such unit cost for work performed that will permit the sale of the product, the workman in turn having the opportunity to work sufficient hours to make a living wage at such unit cost, and the assurance of increasing income as recovery advances.

There are present indications that the machinery industry may now enter upon a period of business recovery. A loosening of credit is anticipated, and with a return of confidence in the prospect of profitable enterprise and conduct of business increasing, demand for capital goods with attendant reemployment in raw materials, capital goods, consumer goods, and service industries will be realized.

There is ample evidence that the 5 years of the economic depression, during which there has been but little replacement of obsolete and worn out machinery and equipment throughout all American industry, has resulted in a tremendous volume of pent-up orders for capital and durable goods, variously estimated up to forty-six billion dollars. Recently, in order to gage the volume of such pent-up orders in the machinery industry alone, the Machinery and Allied Products Institute commenced a detailed survey to show what the builders of machinery themselves must spend for machinery to replace obsolescense and wear and tear. This survey is giving substantial evidence of the tens of billions of dollars of capital goods orders awaiting release, and tends in a large measure to support current estimates.

Under such circumstances, mere discussion of legislation further restricting the work week tends definitely to discourage business enterprises and confidence, and to retard recovery. The enactment of any such legislation as the proposed thirty-hour bill would, in our opinion, result in the immediate loss of progress thus far made, and occasion a dangerous step backward in directly increasing the unemployment and hardships of the very ones whom such legislation is intended to benefit.

EXHIBIT A. ROSTER TRADE ASSOCIATION MEMBERSHIP IN MACHINERY AND ALLIED PRODUCTS INDUSTRY

American Machine and Parts Association.
American Steel Tire Manufacturers Association.
Associated Builders of Small Locomotives.
Association of Conveyor and Material Preparation Equipment Manufacturers.
Association of Manufacturers of Wood Working Machinery.
Association of Roller and Silent Chain Manufacturers.
Association of Sprocket Chain Manufacturers.
Bakery Equipment Manufacturers Association.
Beater, Jordan, and Allied Equipment Manufacturers Association.
Caster and Floor Truck Manufacturers Association.
Cereal Machinery Association.
Chemical Engineering Equipment Institute.
Coal Cutting Machine Manufacturers Association.
Coal Mine Loading Machine Manufacturers Association.
Compressed Air Institute.
Concrete Mixer Manufacturers Institute.
Contractors Pump Manufacturers Institute.
Diamond Core Drill Manufacturers Association.
Diesel Engine Manufacturers Association.
Dredge and Floating Plant Association.
Electric Overhead Crane Institute.
Envelope Machine Manufacturers Association.
Gas-Powered Industrial Truck Association.
Hair Clipper Manufacturers Association.
Heat Exchange Institute.
Hoist Builders Association.
Hoisting Engine Manufacturers Association.
Hydraulic Institute.
Hydraulic Machinery Manufacturers Association.
Jack Manufacturers Association.
Kiln, Cooler, and Dryer Manufacturers Association.
Locomotive Appliance Institute.
Locomotive Institute.
Mechanical Lubricator Association.
Mechanical Press Builders Association.
Mechanical Scale Removing Association.
Metal Cutting Tool Institute.
Multiple V-Belt Drive Association.
National Association of Air Filter Manufacturers.
National Machine Tool Builders Association.
Oil Field Pumping Engine Manufacturers Association.
Power Transmission Association.
Pulp & Paper Machinery Association.
Pulverizing Machinery & Equipment Association.

Railway Appliance Manufacturers Association.
Railway and Industrial Spring Association.
Reduction Machinery Association.
Refrigerating Machinery Association.
Rock and Ore Crusher Association.
Rolling Mill Machinery and Equipment Association.
Saw Mill Machinery Manufacturers Association.
Sewage Treatment Equipment Association.
Steam Engine Manufacturers Association.
Stoker Manufacturers' Association.
Water Meter Institute.
Waterpower Equipment Association.
Water Softener & Filter Institute.
Wire Machinery Builders Association.

EXHIBIT B. PROGRESS TOWARD REEMPLOYMENT IN THE DURABLE GOODS INDUSTRIES NET AFTER DEDUCTING EMLOYMENT ON P. W. A. AND R. F. C. CONSTRUCTION PROJECTS

Number of men unemployed in durable goods industries:[1]	
July 1933	5,540,000
November 1934	4,874,000
Reduction	666,000
Less number of men employed on P. W. A. and R. F. C. projects in October 1934:[2]	
On P. W. A.:	
Direct	508,000
Indirect	113,000
On R. F. C.:	
Direct	17,000
Indirect	5,000
Total	643,000
Total net number of men reemployed July 1933 to November 1934	23,000

[1] Estimated by Leonard P. Ayres, Cleveland Trust Co. Employment includes work on P. W. A. projects.
[2] From U. S. Bureau of Labor Statistics. November 1934 figures not available.

EXHIBIT C

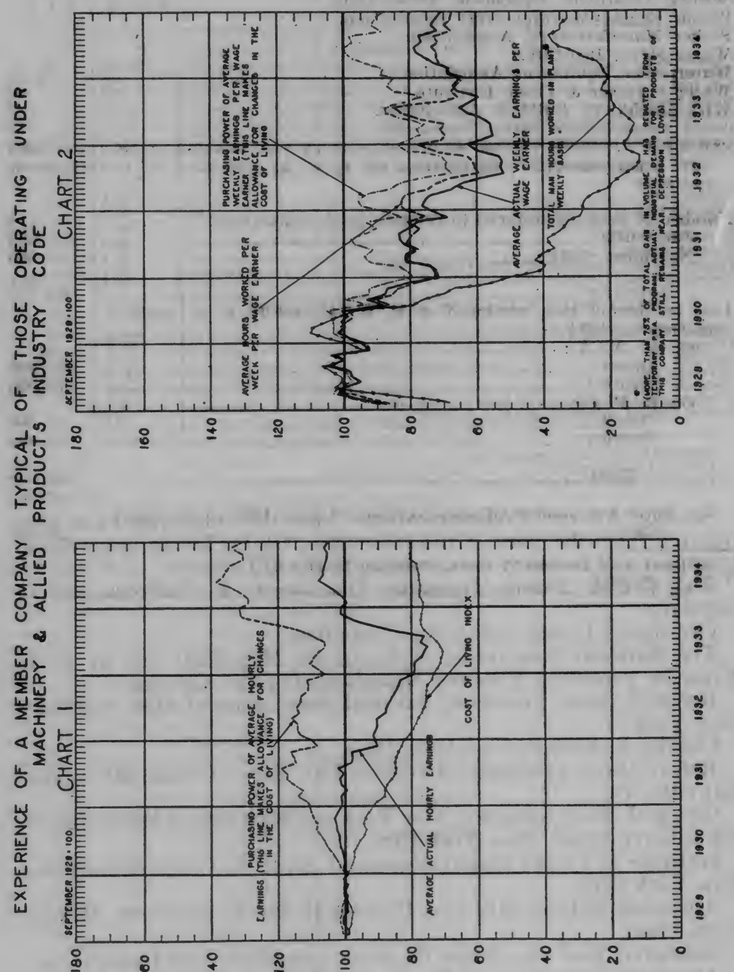


EXHIBIT D. HOURS WORKED AND WAGE EARNINGS IN DURABLE GOODS MANUFACTURING INDUSTRIES SUMMARY

	Average for Durable Goods Mft. Industries (7) N. I. C. B.[1]	(34) B. L. S.[2]
AVERAGE HOURLY EARNINGS		
October 1929	$0.625	(3)
February 1933	.496	$0.490
July 1933	.476	.466
November 1933	.555	.547
November 1934	.619	.584
Percent increase November 1934 from October 1929	−1.0	----------
Percent increase November 1934 from July 1933	30.0	25.6
AVERAGE HOURS OF WORK PER WEEK PER WAGE EARNER		
October 1929	49.3	(3)
February 1933	32.2	32.4
July 1933	39.9	39.2
November 1933	33.5	34.2
November 1934	33.4	34.3
Percent decrease November 1934 from October 1929	32.2	----------
Percent decrease November 1934 from July 1933	16.3	12.5
AVERAGE WEEKLY EARNINGS PER WEEK PER WAGE EARNER		
October 1929	$30.89	(3)
February 1933	16.02	$16.70
July 1933	18.95	18.27
November 1933	18.59	18.67
November 1934	20.64	20.00
Percent decrease November 1934 from October 1929	33.3	----------
Percent decrease November 1934 from July 1933	8.8	9.5

[1] National Industrial Conference Board.
[2] Bureau of Labor Statistics, U. S. Department of Labor.
[3] Data not available prior to November 1932.

Senator Austin. Communications from the following have been received from the clerk of the committee, asking for an opportunity to appear and be heard in opposition to the bill:

The Cotton Textile Institute, Inc. by J. P. Babcock, acting secretary.

Consumers Goods Industries Committee.

The National Association of Furniture Manufacturers, by P. E. Kroehler, president, Kroehler Manufacturing Co., Chicago.

Robert L. Lum, president, National Association of Manufacturers, New York.

Charles F. Brandt, Cleveland, Ohio.

Robert West, president, Riverside Dan River Cotton Mills, Inc., Danville, Va.

George J. Earl, secretary, New York and New Jersey Metal Trades, 126 Liberty Street, New York City.

Institute of Carpet Manufacturers of America, Chrysler Building, New York City.

American Rolling Mill Co., Charles R. Hook, president, Middletown, Ohio.

Geometric Tool Co., James W. Hook, president, New Haven, Conn.

Associated Industries of Florida, E. T. Roux, president, Jacksonville, Fla.

Manufacturers Association of Oregon, C. Francis, secretary, Portland, Oreg.

Michigan Manufacturers Association, John L. Lovett, manager, Detroit, Mich.
Candy Manufacturing Industry Code Authority, W. Parker Jones, attorney, Union Trust Building, Washington, D. C.
American Flyer Manufacturing Co., J. E. Cuff, vice president, South Halsted Street, 2219, Chicago, Ill.
Ohio Industrial Association, J. J. Dewy, Cincinnati, Ohio.
C. L. Eyanson, Hartford, Conn.
Cleveland Woolen Mills, Cleveland, Ohio.
Machinery and Allied Products Institute, Chicago, by John W. O'Leary, president.
Manufacturers Association of Hartford County, Sidney E. Cornelius, manager, Hartford, Conn.
Employers' Association of North Jersey, Newark, N. J.
National Federation of Textiles, Peter Van Horn, president, 10 East Fortieth Street, New York City.
Associated Industries of Cleveland, William Frew Long, manager, Cleveland, Ohio.
Ohio Manufacturers Association, Charles F. Michael, president, Columbus, Ohio.
National Metal Trades Association, Chicago, Ill.
Tennessee Manufacturers Association, Nashville, Tenn.
Southern States Industrial Council, John E. Edgerton, president, Nashville, Tenn.
Indiana Manufacturers Association, H. M. Cochrane, secretary, Indianapolis, Ind.
California Manufacturers Association, O. F. Fisher, president, San Francisco, Calif.
Anthracite Institute, L. C. Madeira, director, New York City.
Associated Industries of Missouri, Elmer Donnell, vice president, St. Louis, Mo.
Federated Industries of Washington, D. C. Botting, manager, Seattle, Wash.
Iowa Manufacturers Association, E. A. Kimball, manager, Des Moines, Iowa.
Colorado Manufacturers and Merchants Association, Denver, Colo.
Associated Industries of Kentucky, C. C. Ousley, secretary, Louisville, Ky.
American Cotton Manufacturing Association, Wm. M. McLaurine, secretary, Charlotte, N. C.
Manufacturers Association of New Jersey, W. C. Billman, secretary, Trenton, N. J.
Louisiana Manufacturers Association, Sam B. Dunbar, manager, New Orleans, La.
Southern Hosiery Association, T. R. Durham, secretary, Charlotte, N. C.
Hardwick Woolen Mills, Inc., Cleveland, Tenn.
Manuacturers & Employers Association, Mary A. Miller, secretary, Pierre S. Dak.
Minnesota Employers Association, A. V. Williams, secretary, St. Paul, Minn.
Associated Industries of New York State, Albany, N. Y.

Toy Manufacturers Association, James L. Fri, director, New York City.
Leeds & Northrup Co., Morris E. Leeds, Philadelphia, Pa.
The clerk of our committee has replied to these communications by telegram, affording an opportunity to file briefs.

Senator NEELY. The subject-matter of the pending bill was thoroughly investigated by a committee of the Senate in January 1933. The evidence which was then taken is available to all of the Members of the Congress. The testimony that has been adduced during the last week of the present hearing is largely a repetition of that which was submitted a year ago. The subcommittee has granted the requests of spokesmen of all important industries, interests, and organizations to express their views either orally or in writing. It is inconceivable that the subcommittee could serve any good purpose by indefinitely continuing to hear expressions of opinion which have been written into the record again and again. Inasmuch as it does not appear that anyone has anything new to offer, this hearing is concluded and the subcommittee adjourns sine die.

A meeting will be called early next week for the purpose of determining what report the subcommittee shall make to the full Committee on the Judiciary.

Are there any objections to the action suggested by the Chair? If not, the subcommittee stands adjourned.

(Thereupon, at 11:45 a. m., the subcommittee adjourned.)

113926—35——32

Date Due

MY 11 '55			

MSH 01569

NEH APR 26 1994

D264 Un395
U.S. Cong. Sen. Comm. on jud.
Thirty-hour work week.
T Feller
Brooks Hall
MY 11 '55

COLUMBIA UNIVERSITY LIBRARIES
0041412672

JUL 28 1936

END OF
TITLE